

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Taylor, Michigan</u>	County Wayne
Audit Date June 30, 2005	Opinion Date December 14, 2005	Date Accountant Report Submitted To State: December 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **City of Taylor, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2005**

# City of Taylor, Michigan

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-9
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets (Deficit)	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Balance Sheet to the Statement of Net Assets (Deficit)	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Assets	17
Statement of Revenue, Expenses, and Changes in Net Assets	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Net Assets	20
Statement of Changes in Net Assets	21
Component Units:	
Statement of Net Assets (Deficit)	22
Statement of Activities	23-24
Notes to Financial Statements	25-55
<b>Required Supplemental Information</b>	56
Budgetary Comparison Schedule - General Fund	57
Pension Systems Schedule of Funding Progress	58
Schedule of Employer Contributions	59-60

# City of Taylor, Michigan

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## Contents (Continued)

<b>Other Supplemental Information</b>	<b>61</b>
Nonmajor Governmental Funds:	
Combining Balance Sheet	62-63
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	64-65
Fiduciary Funds:	
Combining Statement of Net Assets	66
Combining Statement of Changes in Net Assets	67
Component Unit - Housing Commission:	
Combining Statement of Net Assets	68
Combining Statement of Changes in Net Assets	69

## Independent Auditor's Report

To the City Council  
City of Taylor, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Taylor, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Taylor Housing Commission (a discretely presented component unit), which reflect total assets of \$40,593,616 at March 31, 2004 and a net decrease in net assets of \$3,699,677 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Commission, is based solely on the report of the other auditors. The other auditors' report, dated October 26, 2005 (which includes the information for the Taylor Community Development Corporation, which was audited as of November 15, 2005), expressed an unqualified opinion on the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the City Council  
City of Taylor, Michigan

The management's discussion and analysis, budgetary comparison schedule - General Fund, and the pension systems schedule of funding progress, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taylor, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005 on our consideration of the City of Taylor, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

December 21, 2005

# City of Taylor, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Taylor, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

- State-shared revenue, our second largest revenue source, was reduced by approximately \$90,000 this year, as a result of mid-year budget cuts by the State of Michigan. While the constitutional portion of revenue sharing grew, the statutory portion decreased for the fourth consecutive year.
- Revenues from the 23<sup>rd</sup> District Court increased \$364,000 over the prior year amount, to a new annual total of nearly \$4.4 million.
- The City's General Fund, the main operating fund of the City, operated with a structural deficit, spending substantially more than what it brought in from traditional revenue sources. With limited opportunities for revenue growth and rising expenditures, the General Fund relied on \$4.3 million in land sales to balance the budget for the year, nearly doubling the amount of land sales from the prior year.
- The City's golf courses and Sportsplex operated at deficits, substantially as a result of depreciation of assets donated by the TIFA component unit.
- Total net assets related to the City's governmental activities at the end of the year were \$147 million, a slight increase over the prior year's restated \$146 million.
- The City neared completion of construction on the Midtown Fire Station and new 23<sup>rd</sup> District Court, financed primarily by Taylor Building Authority bonds issued at favorable long-term interest rates. Construction will be completed in the 2005/2006 fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Taylor, Michigan's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

**Government-wide Financial Statements** - The statement of net assets (deficit) and the statement of activities are both new and provide information about the activities of the City on a government-wide basis. They are designed to present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting, similar to a private-sector business, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

# City of Taylor, Michigan

## Management's Discussion and Analysis (Continued)

**Fund Financial Statements** - The fund financial statements are presented after the government-wide statements. They present a short-term view, and tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's General Fund budget and the City's progress in funding its obligation to provide pension benefits to its employees. Other supplemental information is also presented in the form of combining statements for nonmajor governmental funds, fiduciary funds, and the Taylor Housing Commission component unit.

### The City of Taylor as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
<b>Assets</b>						
Current assets	\$ 17,136,099	\$ 29,144,017	\$ 4,922,852	\$ 6,547,467	\$ 22,058,951	\$ 35,691,484
Noncurrent assets	193,006,771	194,220,194	181,083,282	178,772,021	374,090,053	372,992,215
Total assets	210,142,870	223,364,211	186,006,134	185,319,488	396,149,004	408,683,699
<b>Liabilities</b>						
Current liabilities	12,951,568	26,016,836	7,840,578	8,101,812	20,792,146	34,118,648
Long-term liabilities	50,901,502	50,099,766	65,677,005	63,475,357	116,578,507	113,575,123
Total liabilities	63,853,070	76,116,602	73,517,583	71,577,169	137,370,653	147,693,771
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	140,509,403	141,156,813	101,287,341	100,843,545	241,796,744	242,000,358
Restricted	5,614,124	7,223,452	12,332,788	13,356,709	17,946,912	20,580,161
Unrestricted (deficit)	166,273	(1,132,656)	(1,131,578)	(457,935)	(965,305)	(1,590,591)
Total net assets	<u>\$ 146,289,800</u>	<u>\$ 147,247,609</u>	<u>\$ 112,488,551</u>	<u>\$ 113,742,319</u>	<u>\$ 258,778,351</u>	<u>\$ 260,989,928</u>



# City of Taylor, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net assets totaled \$260,989,928, a decrease of just 1.5 percent from a year ago. As we look at the governmental activities separately from the business-type activities, we can see that the current level of unrestricted net assets for our governmental activities is a deficit of just over \$1 million. The decrease is primarily a result of an increase of depreciation expense and the liability for compensated absences. The business-type activities unrestricted net assets increased by nearly \$700,000. The increase is primarily a result of an increase in property taxes collected related to the EPA levy in the sewer fund.

The following table shows the changes of the net assets during the current year:

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 11,559,969	\$ 12,277,850	\$ 16,982,059	\$ 17,905,555	\$ 28,542,028	\$ 30,183,405
Operating grants and contributions	7,758,770	8,258,407	-	-	7,758,770	8,258,407
Capital grants and contributions	4,058,621	4,835,752	1,411,583	498,800	5,470,204	5,334,552
General revenue:						
Property taxes	24,841,759	27,241,795	3,927,706	5,790,813	28,769,465	33,032,608
State-shared revenue	8,223,220	8,133,587	-	-	8,223,220	8,133,587
Unrestricted investment earnings	279,814	411,485	220,074	232,266	499,888	643,751
Rental income and fees	512,121	469,802	42,820	9,393	554,941	479,195
Gain on disposal of assets	1,561,059	3,398,335	(2,097)	17,294	1,558,962	3,415,629
Miscellaneous revenue	1,070,883	807,562	25,486	58,321	1,096,369	865,883
Total revenue	59,866,216	65,834,575	22,607,631	24,512,442	82,473,847	90,347,017
<b>Program Expenses</b>						
General government	10,808,382	13,079,831	-	-	10,808,382	13,079,831
Public safety	23,728,945	26,370,298	-	-	23,728,945	26,370,298
Public works	15,172,428	16,015,516	-	-	15,172,428	16,015,516
Community and economic development	1,393,208	1,614,873	-	-	1,393,208	1,614,873
Recreation and culture	5,072,953	4,975,837	-	-	5,072,953	4,975,837
Interest on long-term debt	2,348,952	2,820,411	-	-	2,348,952	2,820,411
Water	-	-	5,711,061	5,905,739	5,711,061	5,905,739
Sewer	-	-	8,173,541	8,302,580	8,173,541	8,302,580
Taylor Sportsplex	-	-	2,581,705	2,572,977	2,581,705	2,572,977
Golf courses	-	-	6,079,940	6,140,245	6,079,940	6,140,245
Ecorse Creek	-	-	303,380	337,133	303,380	337,133
Total program expenses	58,524,868	64,876,766	22,849,627	23,258,674	81,374,495	88,135,440
<b>Change in Net Assets</b>	<b>\$ 1,341,348</b>	<b>\$ 957,809</b>	<b>\$ (241,996)</b>	<b>\$ 1,253,768</b>	<b>\$ 1,099,352</b>	<b>\$ 2,211,577</b>

# City of Taylor, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

The City's total governmental revenues were nearly \$66 million. The City experienced decreases in state-shared revenue, but experienced increased property taxes, operating and capital grants, court revenue, and land sales. The increase in property tax revenue resulted from continued growth in the City's tax base and an increased Act 345 millage in support of the police and fire retirement system.

The City's total governmental expenses were approximately \$65 million. There continue to be large increases in public safety, health care, and risk management costs. An employer contribution of \$1.1 million to the General Employees' Retirement System represented an increase of nearly \$500,000 over the previous year's contribution. The City closely monitored its spending in all other areas, including hiring and capital outlay.

### Business-type Activities

The City's business-type activities consist of the Water, Sewer, Ecorse Creek, Golf Courses, and Taylor Sportsplex Enterprise Funds. We provide water to residents from the Detroit Water System. We provide sewage treatment through a Wayne County-owned and operated sewage treatment plant. The City operates two outstanding golf courses. The Lakes of Taylor Golf Club is a championship caliber golf course designed to challenge golfers at every level. Taylor Meadows Golf Club is a links-style course, challenging yet still player-friendly. Both courses also provide food service and pro-shop operations as well. The Taylor Sportsplex is an indoor multi-function facility that features two ice arenas, a soccer arena, and a combination soccer/convention arena, as well as meeting areas and food service. For all business-type activities in 2005, operating revenues increased nearly \$2 million, while net assets decreased \$1.3 million. The Sewer Fund accounts for the activity related to the City's participation in the Downriver Sewer System, including the tax levy mandated to pay for the City's share of debt issued by Wayne County to pay for the recent improvements to the system.

### The City of Taylor's Funds

Our analysis of the City's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City of Taylor as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as bond projects. The City's major funds for 2005 are the General Fund, 2003 Taylor Building Authority (TBA) Project Fund, and the Taylor Building Authority Debt Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$17,713,000, and public works, which incurred expenses of \$14,557,000 in 2005. Employee benefit expenses accounted for another \$11,563,000.

# **City of Taylor, Michigan**

## **Management's Discussion and Analysis (Continued)**

The 2003 TBA Project Fund was established upon the issuance of TBA bonds in 2003, and accounts for the construction of the new fire station and new court house. The 2003 TBA Project Fund will expend the remainder of its funds in the 2005-2006 fiscal year toward completion of the projects. Additional amounts due on the projects will be charged to other funds as applicable.

The Taylor Building Authority Debt Fund is a Debt Service Fund which accounts for the activity in connection with all Building Authority debt issued.

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. Overall, the General Fund's revenue budget was increased during the year by approximately \$3.6 million. Land sales represented \$2.1 million of the mid-year increases. Overall actual revenues were less than the budget by \$965,000, or 1.65 percent. The property tax budget is typically projected initially based on conservative estimates of the taxable values, which are not yet finalized at the time of budget adoption. The largest unfavorable variances were in State grants (\$440,000) and other revenue, including charges to other funds (\$538,000); favorable variances resulted in fines and forfeitures of \$99,000, various charges for services of \$141,000, and fees and permits of \$68,000.

The City's expenditure budget was increased approximately \$3.8 million by amendments during the year, primarily as a result of the carryover of \$1,050,000 in unexpended items from the previous year. The City's departments overall stayed below budget, resulting in total expenditures of \$2.176 million (3.7 percent) below budget, despite an unexpected transfer of \$275,000 to support the Local Streets Fund. The General Fund also incurred unexpected land acquisition costs and land development costs. The net result was an increase in the General Fund's fund balance of \$1,211,000 greater than budgeted.

### **Capital Asset and Debt Administration**

At the end of 2005, the City, including its component units, had approximately \$401 million invested in a broad range of capital assets, including buildings, roads, water and sewer lines, parks, and machinery and equipment. The City finances much of its capital improvements through the issuance of long-term debt. During the year, the City issued \$1,220,000 of Michigan Transportation Fund (MTF) Refunding Bonds to refinance \$1,200,000 of MTF, with a net present value savings of \$31,000. The City issued \$2,600,000 of Limited Tax General Obligation (LTGO) Bonds to finance water, sewer, and storm sewer projects. Taylor Building Authority (TBA) bonds in the amount of \$5,315,000 were issued to defease \$5,390,000 of Series 2000 TBA bonds, at a net present value savings of \$162,000. The City issued \$14,795,000 of LTGO Bonds to defease \$13,495,000 of Series 1998 TBA bonds at a net present value savings of \$399,000, and provide additional financing for the Villages of Taylor project. The City of Taylor Brownfield Redevelopment Authority issued \$11,080,000 in LTGO tax-exempt tax increment

# City of Taylor, Michigan

## Management's Discussion and Analysis (Continued)

bonds and \$3,080,000 in LTGO taxable tax increment bonds to finance applicable portions of the Island Lakes of Taylor Brownfield Redevelopment project.

The City's investment in capital assets, net of related debt, increased from approximately \$241.8 million to approximately \$242.0 million. In addition, the component unit's investment in capital assets, net of related debt, decreased from approximately \$23.2 million to approximately \$18.5 million. The City's total debt was approximately \$215 million, including approximately \$93 million of component unit debt. Of the component unit debt, approximately \$9 million relates to TIFA debt issued on behalf of the Lakes of Taylor Golf Club, and approximately \$15 million relates to TIFA debt issued on behalf of the Sportsplex. Debt service payments on all debt are approximately \$19 million annually for the City and component units in total.

### Economic Factors and Next Year's Budgets

The General Fund continues to have a structural deficit of nearly \$5 million in that the operating expenditures exceed the operating revenues. For the fiscal year ending June 30, 2006, the possibility of reductions to the statutory portion of State revenue sharing continues to be a concern for municipalities throughout the state of Michigan, including the City of Taylor. While the City continues to experience growth in its housing market and in the tax base, the City is attempting to evaluate the relative costs and benefits of different types of new development. Certain studies by the Urban Land Institute and the Brookings Institute indicate that current patterns of community growth and development frequently result in "sprawl," which is harmful to communities and undermines broader environmental objectives. Accordingly, any future development in the City of Taylor will be predicated on "smart" growth. This future focus will include a balanced combination of planned growth through commercial, industrial, residential, and mixed density development projects. Because of the impact of Proposal A, the City needs to continue to watch its budget very closely. The state-wide Tax Reform Act limited growth in taxable value on any individual property to the inflation factor of 2.3 percent for the 2005 tax year, and the limit will be 3.3 percent for the 2006 tax year. However, because of the tax reduction factors, not even the full benefit of inflation is realized in property tax revenue. With municipal revenue opportunities systematically limited by state law, the General Fund budget continues to depend on uncertain revenue such as \$4.4 million in land sales to remain balanced. In addition, to the extent available resources may have been exhausted, the General Fund may need to pay to complete the municipal capital improvement projects. In addition, a significant portion of forfeiture funds, originally planned to be used for completion of police-related parts of the project, have been deemed partially ineligible for the intended uses. Given these strains on the budget, the City understands the need to reduce the workforce and save on personal services and employee benefits, as these are the largest portions of the budget. Health care costs continue to rise, and so the City has negotiated co-pay arrangements with the City's employees to help offset cost increases. To reduce the effects of rising pension costs, defined contribution pension plans are being offered to new employees rather than defined benefit plans. As the costs of providing services to the citizens continue to rise in excess of normal inflation despite the systematic limitations on revenue growth, there is a feeling that the municipal finance system in the state of Michigan needs some changes in addition to changes that can be made at the local level.

# **City of Taylor, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Clerk's office, 23555 Goddard Road, Taylor, MI 48180.

# City of Taylor, Michigan

## Statement of Net Assets (Deficit) June 30, 2005

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 11,701,286	\$ 3,005,187	\$ 14,706,473	\$ 25,328,464
Receivables - Net	11,766,644	3,337,619	15,104,263	970,952
Internal balances	164,463	(164,463)	-	-
Due from other governmental units	4,681,215	-	4,681,215	1,441,217
Prepaid costs and other assets	830,409	-	830,409	3,445,659
Long-term advances to (from) other funds	1,750,000	(1,750,000)	-	-
Inventories	-	369,124	369,124	-
Restricted assets (Note 8)	4,666,297	12,429,389	17,095,686	3,803,747
Notes receivable and accrued interest	-	-	-	1,423,942
Nondepreciable capital assets - Net (Note 5)	40,730,513	12,540,455	53,270,968	17,112,114
Depreciable capital assets - Net (Note 5)	147,073,384	155,552,177	302,625,561	27,507,409
Total assets	223,364,211	185,319,488	408,683,699	81,033,504
<b>Liabilities</b>				
Bank overdraft - Operations	-	-	-	570,856
Accounts payable	8,337,255	1,976,687	10,313,942	3,936,533
Accrued and other liabilities	3,374,045	1,106,625	4,480,670	1,183,851
Due to other governmental units	518,513	743,660	1,262,173	1,958,944
Deferred revenue (Note 4)	8,079,556	-	8,079,556	701,567
Noncurrent liabilities:				
Bond premium	1,146,583	-	1,146,583	-
Debt due within one year (Note 7)	4,218,377	4,224,729	8,443,106	3,747,163
Debt due in more than one year (Note 7)	44,523,676	63,024,358	107,548,034	89,158,913
Compensated absences due within one year	1,489,090	50,111	1,539,201	-
Compensated absences due in more than one year	4,429,507	450,999	4,880,506	-
Total liabilities	76,116,602	71,577,169	147,693,771	101,257,827
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	141,156,813	100,843,545	242,000,358	18,497,796
Restricted:				
Construction and other expenditures	2,801,243	-	2,801,243	-
Major and local streets projects	1,084,199	-	1,084,199	-
Police forfeiture	1,872,383	-	1,872,383	-
Local law enforcement	30,966	-	30,966	-
Debt service	1,434,661	12,429,389	13,864,050	-
Sewer	-	927,320	927,320	-
Component units	-	-	-	4,280,211
Unrestricted	(1,132,656)	(457,935)	(1,590,591)	(43,002,330)
Total net assets (deficit)	\$ 147,247,609	\$ 113,742,319	\$ 260,989,928	\$ (20,224,323)

# City of Taylor, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 13,079,831	\$ 6,637,637	\$ 1,482,883	\$ 1,352,487
Public safety	26,370,298	4,235,077	1,884,112	-
Public works	16,015,516	353,876	4,083,530	3,100,284
Community and economic development	1,614,873	141,857	592,083	-
Recreation and culture	4,975,837	909,403	215,799	382,981
Interest on long-term debt	2,820,411	-	-	-
Total governmental activities	64,876,766	12,277,850	8,258,407	4,835,752
Business-type activities:				
Water	5,905,739	5,713,330	-	-
Sewer	8,302,580	5,542,416	-	-
Taylor Sportsplex	2,572,977	1,863,292	-	498,800
Golf courses	6,140,245	4,569,508	-	-
Ecorse Creek	337,133	217,009	-	-
Total business-type activities	23,258,674	17,905,555	-	498,800
Total primary government	<b>\$ 88,135,440</b>	<b>\$ 30,183,405</b>	<b>\$ 8,258,407</b>	<b>\$ 5,334,552</b>
Component units:				
Local Development Financing Authority	\$ 155	\$ -	\$ -	\$ -
Tax Increment Financing Authority	8,332,475	-	-	-
Brownfield Redevelopment Authority	2,138,101	-	-	53,724
Downtown Development Authority	631,861	-	-	-
Housing Commission	17,535,469	6,332,719	7,052,476	-
Total component units	<b>\$ 28,638,061</b>	<b>\$ 6,332,719</b>	<b>\$ 7,052,476</b>	<b>\$ 53,724</b>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Rental income and fees				
Gain on disposal of assets				
Miscellaneous				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets (Deficit) - Beginning of year, as restated (Note 1)</b>				
<b>Net Assets (Deficit) - End of year</b>				

## Statement of Activities Year Ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,606,824)	\$ -	\$ (3,606,824)	\$ -
(20,251,109)	-	(20,251,109)	-
(8,477,826)	-	(8,477,826)	-
(880,933)	-	(880,933)	-
(3,467,654)	-	(3,467,654)	-
(2,820,411)	-	(2,820,411)	-
(39,504,757)	-	(39,504,757)	-
-	(192,409)	(192,409)	-
-	(2,760,164)	(2,760,164)	-
-	(210,885)	(210,885)	-
-	(1,570,737)	(1,570,737)	-
-	(120,124)	(120,124)	-
-	(4,854,319)	(4,854,319)	-
(39,504,757)	(4,854,319)	(44,359,076)	-
-	-	-	(155)
-	-	-	(8,332,475)
-	-	-	(2,084,377)
-	-	-	(631,861)
-	-	-	(4,150,274)
-	-	-	(15,199,142)
27,241,795	5,790,813	33,032,608	11,369,791
8,133,587	-	8,133,587	-
411,485	232,266	643,751	404,822
469,802	9,393	479,195	-
3,398,335	17,294	3,415,629	-
807,562	58,321	865,883	258,466
40,462,566	6,108,087	46,570,653	12,033,079
957,809	1,253,768	2,211,577	(3,166,063)
146,289,800	112,488,551	258,778,351	(17,058,260)
<b>\$ 147,247,609</b>	<b>\$ 113,742,319</b>	<b>\$ 260,989,928</b>	<b>\$ (20,224,323)</b>



# City of Taylor, Michigan

## Governmental Funds Balance Sheet June 30, 2005

	General Fund	2003 TBA Project Fund	Taylor Building Authority Debt	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 4,080,342	\$ -	\$ 1,358,762	\$ 6,262,182	\$ 11,701,286
Receivables:					
Taxes	2,465,012	-	-	-	2,465,012
Special assessments	8,231,742	-	-	2,949	8,234,691
Other	1,066,941	-	-	-	1,066,941
Due from other governmental units	3,858,770	-	-	822,445	4,681,215
Due from other funds	955,243	135,848	-	1,662,501	2,753,592
Prepaid costs and other assets	729,616	-	-	100,793	830,409
Long-term interfund receivable	1,750,000	-	-	-	1,750,000
Restricted assets	-	3,584,321	-	1,081,976	4,666,297
Total assets	<u>\$ 23,137,666</u>	<u>\$ 3,720,169</u>	<u>\$ 1,358,762</u>	<u>\$ 9,932,846</u>	<u>\$ 38,149,443</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,672,042	\$ 1,885,309	\$ 350	\$ 2,779,554	\$ 8,337,255
Due to other governmental units	518,513	-	-	-	518,513
Due to other funds	317,176	18,936	1,350,000	903,017	2,589,129
Accrued and other liabilities	2,751,530	-	-	-	2,751,530
Deferred revenue	9,042,149	-	-	58,461	9,100,610
Total liabilities	16,301,410	1,904,245	1,350,350	3,741,032	23,297,037
<b>Fund Balances</b>					
Reserved for:					
Construction and other expenditures	1,302,271	1,815,924	-	1,778,017	4,896,212
Long-term assets	1,750,000	-	-	-	1,750,000
Unreserved - Reported in:					
General Fund	3,783,985	-	-	-	3,783,985
Special Revenue Funds	-	-	-	2,987,548	2,987,548
Debt Service Funds	-	-	8,412	1,426,249	1,434,661
Total fund balances	<u>6,836,256</u>	<u>1,815,924</u>	<u>8,412</u>	<u>6,191,814</u>	<u>14,852,406</u>
Total liabilities and fund balances	<u>\$ 23,137,666</u>	<u>\$ 3,720,169</u>	<u>\$ 1,358,762</u>	<u>\$ 9,932,846</u>	<u>\$ 38,149,443</u>

# City of Taylor, Michigan

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## **Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets (Deficit) June 30, 2005**

<b>Fund Balance - Total Governmental Funds</b>	<b>\$ 14,852,406</b>
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Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds	187,803,897
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Special assessment and other receivables are expected to be collected over several years, and are not available to pay for current year expenditures	1,021,054
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Long-term debt	(48,742,053)
Compensated absences	(5,918,597)
Bond premium	(1,146,583)
Tax rebates	(84,569)
Workers' compensation claims	(103,856)
Accrued interest	<u>(434,090)</u>

<b>Net Assets - Governmental Activities</b>	<b><u>\$ 147,247,609</u></b>
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# City of Taylor, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	General Fund	2003 TBA Project Fund	Taylor Building Authority Debt	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 27,544,219	\$ -	\$ -	\$ 1,483,873	\$ 29,028,092
Licenses and permits	830,657	-	-	1,364,516	2,195,173
Federal sources	473,061	-	-	1,438,118	1,911,179
State sources	8,556,265	-	-	4,235,699	12,791,964
Charges for services	3,117,290	-	-	-	3,117,290
Fines and forfeitures	4,404,456	-	-	-	4,404,456
Interest and rent	567,535	182,234	2,982,285	129,824	3,861,878
DMA /911 revenue	-	-	-	1,463,449	1,463,449
Other	7,439,058	-	-	32,235	7,471,293
Total revenues	52,932,541	182,234	2,982,285	10,147,714	66,244,774
<b>Expenditures</b>					
General government	7,624,040	-	-	-	7,624,040
Public safety	17,712,957	-	-	-	17,712,957
Public works and capital projects	14,537,877	-	-	7,699,786	22,237,663
Community development	-	-	-	696,310	696,310
Recreation and cultural	3,202,158	-	-	-	3,202,158
General administration	814,558	-	-	-	814,558
Construction and development	-	-	-	2,554,570	2,554,570
Employee benefits	11,563,377	-	-	-	11,563,377
Capital outlay and other	-	8,774,574	-	706,835	9,481,409
Debt service	520,403	-	10,261,043	16,387,043	27,168,489
Total expenditures	55,975,370	8,774,574	10,261,043	28,044,544	103,055,531
<b>Excess of Revenues Over (Under)</b>					
Expenditures	(3,042,829)	(8,592,340)	(7,278,758)	(17,896,830)	(36,810,757)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	1,684,359	1,684,359
Transfers out	(275,000)	-	-	(1,409,359)	(1,684,359)
Proceeds from issuance of debt	-	-	5,315,000	16,960,000	22,275,000
Net bond premium	-	-	406,761	591,252	998,013
Proceeds of land, building, and equipment sales	4,330,492	-	-	-	4,330,492
Total other financing sources (uses)	4,055,492	-	5,721,761	17,826,252	27,603,505
<b>Net Change in Fund Balances</b>	1,012,663	(8,592,340)	(1,556,997)	(70,578)	(9,207,252)
<b>Fund Balances - Beginning of year</b>	5,823,593	10,408,264	1,565,409	6,262,392	24,059,658
<b>Fund Balances - End of year</b>	<u>\$ 6,836,256</u>	<u>\$ 1,815,924</u>	<u>\$ 8,412</u>	<u>\$ 6,191,814</u>	<u>\$ 14,852,406</u>

# City of Taylor, Michigan

## **Governmental Funds Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2005**

**Net Change in Fund Balances - Total Governmental Funds** \$ (9,207,252)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	7,350,962
Capital contribution from TIFA and DDA is not a current financial resource	3,743,781
Proceeds from asset sales are recorded in the governmental funds; on the statement of activities, a gain is recorded	(932,157)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(77,716)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	(77,724)
Repayment of bond principal, amortization of deferred cost of financing, and change in accrued interest expense is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	23,698,744
Addition of bond premium liabilities and related amortization expense reported as expense on the governmental funds when issued	(349,079)
Bond proceeds and premiums are not reported as other financing sources on the statement of activities	(22,275,000)
Note payable not recorded in the statement of activities when debt is incurred, not reported in the funds until payment is made	(249,642)
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(667,108)

**Change in Net Assets of Governmental Activities** \$ 957,809

# City of Taylor, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2005

	Water	Sewer	Taylor Sportsplex	Golf Courses	Nonmajor - Ecorse Creek	Total Enterprise Funds
<b>Current Assets</b>						
Cash and investments	\$ 2,111,574	\$ 567,680	\$ 24,681	\$ 262,060	\$ 39,192	\$ 3,005,187
Receivables:						
Customers	1,569,692	1,613,525	-	-	64,372	3,247,589
Other	60,773	-	4,045	25,212	-	90,030
Due from other funds	393,635	2,398,810	-	-	72,022	2,864,467
Inventories	147,791	617	45,849	174,867	-	369,124
Total current assets	4,283,465	4,580,632	74,575	462,139	175,586	9,576,397
<b>Noncurrent Assets</b>						
Restricted assets	-	12,429,389	-	-	-	12,429,389
Capital assets	23,608,964	93,092,947	27,961,583	23,066,466	362,672	168,092,632
Total noncurrent assets	23,608,964	105,522,336	27,961,583	23,066,466	362,672	180,522,021
Total assets	27,892,429	110,102,968	28,036,158	23,528,605	538,258	190,098,418
<b>Current Liabilities</b>						
Accounts payable	664,962	652,868	301,221	350,672	6,964	1,976,687
Due to other funds	2,326,113	72,292	-	626,571	3,954	3,028,930
Due to other governmental units	-	743,660	-	-	-	743,660
Accrued and other liabilities	459,361	510,088	41,438	596,848	-	1,607,735
Current portion of long-term debt	75,000	3,579,516	295,000	275,213	-	4,224,729
Total current liabilities	3,525,436	5,558,424	637,659	1,849,304	10,918	11,581,741
<b>Noncurrent Liabilities</b>						
Long-term advances from other funds	-	-	-	1,750,000	-	1,750,000
Long-term debt - Net of current portion	1,250,000	57,359,358	4,415,000	-	-	63,024,358
Total liabilities	4,775,436	62,917,782	5,052,659	3,599,304	10,918	76,356,099
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	22,283,964	32,154,073	23,251,583	22,791,253	362,672	100,843,545
Restricted for debt service	-	12,429,389	-	-	-	12,429,389
Restricted for sewer grant expenditures	-	927,320	-	-	-	927,320
Unrestricted	833,029	1,674,404	(268,084)	(2,861,952)	164,668	(457,935)
Total net assets	<u>\$ 23,116,993</u>	<u>\$ 47,185,186</u>	<u>\$ 22,983,499</u>	<u>\$ 19,929,301</u>	<u>\$ 527,340</u>	<u>\$ 113,742,319</u>

# City of Taylor, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2005

	Water	Sewer	Taylor Sportsplex	Golf Courses	Nonmajor - Ecorse Creek	Total Enterprise Funds
<b>Operating Revenues</b>						
Water sales	\$ 4,554,725	\$ -	\$ -	\$ -	\$ -	\$ 4,554,725
Sewage disposal services	-	5,355,600	-	-	-	5,355,600
Charges for services	1,167,998	186,816	93,800	2,394,784	217,009	4,060,407
Sales of merchandise	-	-	386,909	2,174,724	-	2,561,633
Rental income	-	-	1,051,082	-	-	1,051,082
Other	51,510	965	331,501	-	-	383,976
Total operating revenues	5,774,233	5,543,381	1,863,292	4,569,508	217,009	17,967,423
<b>Operating Expenses</b>						
Cost of water operations	4,840,278	-	-	-	-	4,840,278
Cost of sewage disposal operations	-	5,162,350	-	-	-	5,162,350
Ecorse Creek user charge system	-	-	-	-	337,133	337,133
Cost of sales	-	-	205,243	914,098	-	1,119,341
Operation and maintenance	-	-	919,310	1,328,856	-	2,248,166
General and administrative	-	-	874,305	2,508,196	-	3,382,501
Other expenses	-	125	-	18,262	-	18,387
Depreciation and amortization	1,012,958	1,536,269	574,119	1,331,589	-	4,454,935
Total operating expenses	5,853,236	6,698,744	2,572,977	6,101,001	337,133	21,563,091
<b>Operating Loss</b>	(79,003)	(1,155,363)	(709,685)	(1,531,493)	(120,124)	(3,595,668)
<b>Nonoperating Revenue (Expenses)</b>						
Property taxes	-	5,790,813	-	-	-	5,790,813
Gain (loss) on disposal of assets	21,781	-	-	(4,487)	-	17,294
Interest income	41,065	188,695	-	-	2,506	232,266
Interest expense	(46,657)	(1,603,836)	-	(39,244)	-	(1,689,737)
Total nonoperating revenue (expenses)	16,189	4,375,672	-	(43,731)	2,506	4,350,636
<b>Net Income (Loss) - Before donated assets</b>	(62,814)	3,220,309	(709,685)	(1,575,224)	(117,618)	754,968
<b>Donated Assets</b>	-	-	498,800	-	-	498,800
<b>Change in Net Assets</b>	(62,814)	3,220,309	(210,885)	(1,575,224)	(117,618)	1,253,768
<b>Net Assets - Beginning of year, as restated (Note 1)</b>	23,179,807	43,964,877	23,194,384	21,504,525	644,958	112,488,551
<b>Net Assets - End of year</b>	<u>\$ 23,116,993</u>	<u>\$ 47,185,186</u>	<u>\$ 22,983,499</u>	<u>\$ 19,929,301</u>	<u>\$ 527,340</u>	<u>\$ 113,742,319</u>

# City of Taylor, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2005

	Water	Sewer	Taylor Sportsplex	Golf Courses	Nonmajor - Ecorse Creek	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 5,475,670	\$ 5,303,696	\$ 1,534,906	\$ 4,561,960	\$ 210,857	\$ 17,087,089
Payments to suppliers	(2,776,002)	(4,498,445)	(1,008,656)	(1,870,955)	(480,994)	(10,635,052)
Payments to employees	(1,896,340)	(453,079)	(874,305)	(2,794,591)	-	(6,018,315)
Internal activity - Payments to other funds	58,437	(470,850)	-	(146,489)	77,395	(481,507)
Other receipts	51,510	840	331,501	-	-	383,851
Net cash provided by (used in) operating activities	913,275	(117,838)	(16,554)	(250,075)	(192,742)	336,066
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchase of capital assets	(1,076,794)	(270,765)	-	(36,544)	(187,622)	(1,571,725)
Proceeds from issuance of debt	1,400,000	255,000	-	-	-	1,655,000
Proceeds from sales of capital assets	25,889	-	-	-	-	25,889
Principal and interest paid on capital debt	(121,657)	(87,651)	-	(127,542)	-	(336,850)
Payments on long-term advances	-	-	-	550,000	-	550,000
Payments to the County	-	(5,790,813)	-	-	-	(5,790,813)
Property taxes	-	5,790,813	-	-	-	5,790,813
Net cash provided by (used in) capital and related financing activities	227,438	(103,416)	-	385,914	(187,622)	322,314
<b>Cash Flows from Investing Activities -</b>						
Interest received on investments	41,065	13,958	-	-	2,506	57,529
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,181,778	(207,296)	(16,554)	135,839	(377,858)	715,909
<b>Cash and Cash Equivalents - Beginning of year</b>	929,796	774,976	41,235	126,221	417,050	2,289,278
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,111,574</u>	<u>\$ 567,680</u>	<u>\$ 24,681</u>	<u>\$ 262,060</u>	<u>\$ 39,192</u>	<u>\$ 3,005,187</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>						
Operating loss	\$ (79,003)	\$ (1,155,363)	\$ (709,685)	\$ (1,531,493)	\$ (120,124)	\$ (3,595,668)
Adjustments to reconcile operating loss to net cash from operating activities:						
Depreciation and amortization	1,012,958	1,536,269	574,119	1,331,589	-	4,454,935
Changes in assets and liabilities:						
Receivables	(247,053)	(238,720)	3,115	(7,548)	(6,152)	(496,358)
Due to other funds	402,548	72,292	-	(146,489)	(2,734)	325,617
Other assets	45,478	602	29,496	(6,417)	-	69,159
Accounts payable	75,759	139,699	86,401	41,498	(143,861)	199,496
Accrued and other liabilities	46,699	70,525	-	68,785	-	186,009
Due from other funds	(344,111)	(543,142)	-	-	80,129	(807,124)
Net cash provided by (used in) operating activities	<u>\$ 913,275</u>	<u>\$ (117,838)</u>	<u>\$ (16,554)</u>	<u>\$ (250,075)</u>	<u>\$ (192,742)</u>	<u>\$ 336,066</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2005, \$167,945 of assets purchased by the TIFA were contributed to the Taylor Sportsplex. In addition, \$285,000 of debt principal payments and \$45,855 of interest payments were contributed to the Taylor Sportsplex by the Taylor Building Authority Debt Service Fund. The City also had several non-cash transactions with the assets held at Wayne County, including interest earnings of \$174,737, debt payments of \$3,471,766, and interest payments of \$1,531,185.

# City of Taylor, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2005

	Pension and Other Employee Benefit Plans*	Agency Funds
<b>Assets</b>		
Cash and equivalents	\$ 1,595,951	\$ 1,157,856
Investments:		
Corporate bonds	14,382,703	-
U.S. government securities	40,035,202	-
Common and preferred stock	67,835,693	-
Asset-backed securities	2,266,169	
Money market	3,246,090	261,933
Annuity contracts	4,311,796	-
Mutual funds	14,446,426	-
Due from other governmental units		931,653
Accrued interest	649,634	-
	<u>148,769,664</u>	<u>\$ 2,351,442</u>
<b>Liabilities</b>		
Due to other governmental units	-	\$ 2,189,524
Cash bonds and deposits	-	112,236
Tax collections distributable	-	49,682
	<u>-</u>	<u>\$ 2,351,442</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 148,769,664</u>	

\* Balances are as of December 31, 2004 for the General Employees' Pension Plan and as of June 30, 2005 for the Police and Fire Retirement System.



# City of Taylor, Michigan

## **Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2005**

	Pension and Other Employee Benefit Plans*
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 6,283,229
Net increase in fair value of investments	5,628,389
Less investment expenses	<u>(423,401)</u>
Net investment income	11,488,217
Contributions:	
Employer	3,630,837
Employee	<u>1,215,344</u>
Total contributions	<u>4,846,181</u>
Total additions - Net of investment expenses	16,334,398
<b>Deductions</b>	
General and administrative	90,341
Benefit payments	<u>12,225,580</u>
Total deductions	<u>12,315,921</u>
<b>Net Increase in Net Assets</b>	4,018,477
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>144,751,187</u>
End of year	<u><b>\$ 148,769,664</b></u>

\* Balances are as of December 31, 2004 for the General Employees' Pension Plan and as of June 30, 2005 for the Police and Fire Retirement System.

# City of Taylor, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2005

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Totals
<b>Assets</b>						
Cash and investments	\$ 54,304	\$ 8,736,744	\$ 14,876,998	\$ 311,016	\$ 1,349,402	\$ 25,328,464
Accounts receivable	-	-	750,000	-	220,952	970,952
Due from other governmental units	50,867	-	221,082	457,114	712,154	1,441,217
Deferred charges	-	-	-	-	2,687,607	2,687,607
Prepaid expenses and other assets	-	-	-	-	758,052	758,052
Restricted assets	-	-	-	273,361	3,530,386	3,803,747
Notes receivable and accrued interest	-	-	-	-	1,423,942	1,423,942
Capital assets	<u>17,745</u>	<u>13,522,834</u>	<u>77,187</u>	<u>1,090,636</u>	<u>29,911,121</u>	<u>44,619,523</u>
Total assets	122,916	22,259,578	15,925,267	2,132,127	40,593,616	81,033,504
<b>Liabilities</b>						
Bank overdraft - Operations	-	-	-	-	570,856	570,856
Accounts payable	-	1,097,707	1,643,587	417,454	777,785	3,936,533
Deferred revenue	-	-	701,567	-	-	701,567
Due to other governmental units	-	1,041,343	576,292	341,309	-	1,958,944
Tenant security deposits	-	-	-	-	316,983	316,983
Accrued and other liabilities	-	433,313	-	41,494	392,061	866,868
Long-term debt	<u>-</u>	<u>46,665,000</u>	<u>14,160,000</u>	<u>2,290,000</u>	<u>29,791,076</u>	<u>92,906,076</u>
Total liabilities	-	49,237,363	17,081,446	3,090,257	31,848,761	101,257,827
<b>Net Assets (Deficit)</b>						
Investment in capital assets - Net of related debt	17,745	13,522,834	77,187	1,090,636	3,789,394	18,497,796
Restricted	-	-	-	-	4,280,211	4,280,211
Unrestricted	<u>105,171</u>	<u>(40,500,619)</u>	<u>(1,233,366)</u>	<u>(2,048,766)</u>	<u>675,250</u>	<u>(43,002,330)</u>
Total net assets (deficit)	<u>\$ 122,916</u>	<u>\$ (26,977,785)</u>	<u>\$ (1,156,179)</u>	<u>\$ (958,130)</u>	<u>\$ 8,744,855</u>	<u>\$ (20,224,323)</u>

\* Balances are as of March 31, 2005 for Housing Commission and as of June 30, 2005 for the Taylor Community Development Corp., its component unit.

# City of Taylor, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
Local Development Financing Authority - Public works	\$ 155	\$ -	\$ -	\$ -
Tax Increment Financing Authority - Public works	8,332,475	-	-	-
Brownfield Redevelopment Authority - Public works	2,138,101	-	-	53,724
Downtown Development Authority - Public works	631,861	-	-	-
Housing Commission	17,535,469	6,332,719	7,052,476	-
Total component unit activities	<u>\$ 28,638,061</u>	<u>\$ 6,332,719</u>	<u>\$ 7,052,476</u>	<u>\$ 53,724</u>
General revenues:				
Capture taxes				
Interest				
Transfers in				
Other				
Total general revenues				
<b>Change in Net Assets (Deficit)</b>				
<b>Net Assets (Deficit) - Beginning of year, as restated (Note 1)</b>				
<b>Net Assets (Deficit) - End of year</b>				

\* Balances are as of March 31, 2005 for the Housing Commission and as of June 30, 2005 for the Taylor Community Development Corp., its component unit.

**Component Units  
Statement of Activities  
Year Ended June 30, 2005**

Net (Expense) Revenue and Changes in Net Assets					
Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
\$ (155)	\$ -	\$ -	\$ -	\$ -	\$ (155)
-	(8,332,475)	-	-	-	(8,332,475)
-	-	(2,084,377)	-	-	(2,084,377)
-	-	-	(631,861)	-	(631,861)
-	-	-	-	(4,150,274)	(4,150,274)
(155)	(8,332,475)	(2,084,377)	(631,861)	(4,150,274)	(15,199,142)
50,867	10,447,692	537,582	333,650	-	11,369,791
753	242,787	8,329	17,757	135,196	404,822
-	-	-	-	-	-
-	(56,945)	-	-	315,411	258,466
51,620	10,633,534	545,911	351,407	450,607	12,033,079
51,465	2,301,059	(1,538,466)	(280,454)	(3,699,667)	(3,166,063)
71,451	(29,278,844)	382,287	(677,676)	12,444,522	(17,058,260)
<u>\$ 122,916</u>	<u>\$ (26,977,785)</u>	<u>\$ (1,156,179)</u>	<u>\$ (958,130)</u>	<u>\$ 8,744,855</u>	<u>\$ (20,224,323)</u>

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Taylor, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Taylor, Michigan:

#### **Reporting Entity**

The City of Taylor, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

**Blended Presented Component Units** - The Taylor Building Authority is governed by a board that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

The 23<sup>rd</sup> Judicial District Court is reported within the Trust and Agency Fund. Although it is legally separate from the City, it is reported as if it were part of the primary government because of the fiduciary relationship it has with the City.

**Discretely Presented Component Units** - The Local Development Financing Authority and the Tax Increment Financing Authority (the "Authorities") were created to promote economic development within a seven-square mile district of the City and are funded primarily by property tax revenue captures. The Authorities are governed by 11-member and 13-member boards, respectively, and are appointed by the mayor and confirmed by the City Council.

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within that district. The DDA's governing body, which consists of 13 members, is appointed by the mayor and confirmed by the City Council. In addition, the DDA's budget is subject to approval by the City Council.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The Brownfield Redevelopment Authority was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the 24-square mile boundary of the City. The Brownfield Redevelopment Authority is funded primarily by property tax revenue captures. The Brownfield Redevelopment Authority is governed by a 13-member board that is appointed by the mayor and confirmed by the City Council.

Separate financial statements for the above discretely presented component units are not prepared.

The Taylor Housing Commission is a nonprofit corporation that was organized under the laws of the State of Michigan to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD). The Taylor Housing Commission operates with a fiscal year ended March 31. The Taylor Housing Commission is governed by a five-member board that is appointed by the mayor and confirmed by the City Council.

The Taylor Community Development Corporation (TCDC) is a nonprofit organization formed by its sole member, the Taylor Housing Commission, to acquire, renovate, and operate certain apartment complexes located within the city of Taylor, Michigan. The City acquired these apartment complexes, now known as the Villages of Taylor (the "Project"), and then donated the complexes to the TCDC. The TCDC is operated by a seven-member board of directors appointed by the Taylor Housing Commission. The TCDC is a component unit of the Taylor Housing Commission.

The Project is operated and regulated by a use agreement with the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's major program is its Section 8 Housing Assistance Payments agreements with HUD. During the year ended June 30, 2005, rental revenue from HUD totaled \$6,835,772, representing 51 percent of net rental revenue.

A complete financial statement for the Taylor Housing Commission can be obtained at 15270 Plaza South, Taylor, MI 48180.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **Note I - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**2003 TBA Project Fund** - The 2003 TBA Project Fund is a Capital Projects Fund which accounts for the activity associated with the municipal improvement project (primarily the construction/renovation of a courthouse and fire station) and other miscellaneous improvement projects.

**Taylor Building Authority Debt Fund** - The Taylor Building Authority Debt Fund is a Debt Service Fund which accounts for the activity in connection with all Building Authority debt issued.

The City reports the following major proprietary funds:

**Water Fund** - The Water Fund accounts for the activities of the water distribution system.

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage collection system.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Taylor Sportsplex Fund** - The Taylor Sportsplex Fund accounts for the activity of the Taylor Sportsplex, which primarily is the revenue related to charges for services and rentals along with the expenses of maintaining and operating the Taylor Sportsplex.

**Golf Courses Fund** - The Golf Courses Fund accounts for the activity related to the City's two golf courses, Taylor Meadows and Lakes of Taylor.

Additionally, the City reports the following fund types:

**Pension Trust Fund** - The Pension Trust Fund accounts for the activities of the City's two defined benefit pension plans, including the Police and Fire Retirement System and the General Employees' Pension Plan. The General Employees' Pension Plan is audited as of December 31, 2004. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2004. The plans accumulate resources for pension benefit payments to qualified employees.

**Agency Funds** - The Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City's Agency Funds are its Tax Receiving Fund and the 23<sup>rd</sup> District Court Fund.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales, rentals, and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative and operating expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2004 tax is levied and collectible on July 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the City totaled \$1,524,377,967, on which taxes levied consisted of 8.4797 mills for operating purposes, 0.8924 mills for library services, 4.5000 mills for public safety pension, 1.3824 mills for disposal authority, 2.6176 mills for garbage and rubbish services, 0.0422 mills for publicity services, 2.7000 mills for the building authority, 4.8093 for EPA debt, and .9668 mills for the Southend Project. This resulted in approximately \$10,400,000 for operating purposes, \$1,100,000 for library services, \$5,500,000 for public safety pension, \$1,700,000 for disposal authority, \$3,200,000 for garbage and rubbish services, \$51,700 for publicity services, \$3,300,000 for the building authority, \$5,900,000 for EPA debt, and \$1,500,000 for the Southend Project. These amounts are recognized in the respective General, Debt Service, and Enterprise Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

### **Note I - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Unspent bond proceeds of the Capital Projects Funds and Downtown Development Authority Fund are required to be set aside for construction. In addition, restricted assets also include assets held at Wayne County.

Restricted deposits in the Taylor Housing Commission represents assets held under various bond agreements in a separate account for replacement of property and other project expenditures as approved by the mortgagor. Restricted deposits are held in a separate account and generally are not available for operating purposes. During the year ended June 30, 2005, withdrawals of \$267,527 were taken from the replacement reserve.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

### **Note I - Summary of Significant Accounting Policies (Continued)**

Assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	10-65 years
Buildings	15-50 years
Sanitary sewer system	15-50 years
Water mains and meters	15-67 years
Improvements other than buildings	20 years
Machinery and equipment	2-20 years
Vehicles	4-10 years
Furniture and fixtures	10-20 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Net Assets** - Net assets in various funds have been restated to correct prior year net capital assets.

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

	June 30, 2004	
	As Originally Stated	As Restated
Governmental activities	<u>\$ 143,211,207</u>	<u>\$ 146,289,800</u>
Business-type activities:		
Water Fund	\$ 25,839,728	\$ 23,179,807
Sewer Fund	45,134,451	43,964,877
Golf Courses Fund	23,615,683	21,504,525
Taylor Sportsplex Fund	23,200,936	23,194,384
Nonmajor- Ecorse Creek	<u>757,959</u>	<u>644,958</u>
Total business-type activities	<u>\$ 118,548,757</u>	<u>\$ 112,488,551</u>

In addition, the Housing Commission beginning net assets were restated to correct equity transfers and other errors.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except that operating transfers, debt proceeds, bond premiums, and sales of fixed assets have been included in the "revenue" and/or "expenditure" categories, rather than as "other financing sources (uses)". All annual appropriations lapse at fiscal year end. The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council.

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

The budget process is initiated in January, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize the departmental appropriation requests and submit them to the mayor on or before March 1. During the month of March, the mayor reviews the appropriation requests, meets with the departments, and puts together the budget. The budget is submitted to the City Council on or before April 1. During the next month, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than May 1.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity basis level.

The amount of encumbrances outstanding at June 30, 2005 has not been calculated. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City of Taylor incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Transfer to Local Streets Fund	<u>\$ -</u>	<u>\$ 275,000</u>

**Fund Deficits** - There are no fund deficits on the modified accrual basis at June 30, 2005. The component units are presented on the full accrual basis in the basic financial statements, resulting in deficits on that basis in the Tax Increment Financing Authority, Brownfield Redevelopment Authority, and Downtown Development Authority.

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated six banks for the deposit of its funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$20,062,376 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$13,229,875 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Note 3 - Deposits and Investments (Continued)

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity; and U.S. Treasury bills and U.S. Treasury notes or bonds must mature within one year. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Corporate bonds	\$ 9,650,741	20.03 years
Asset-backed securities	2,925,532	8.35 years
U.S. government securities	28,463,066	8.82 years

#### Component Units

Bank Investment Pool	15,578,527	1 day
----------------------	------------	-------

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 650,098	AAA	S&P
Asset-backed securities	2,469,384	AAA	S&P
Bank investment pools	229,612	AAA	S&P
Corporate bonds	353,739	AA-	S&P
Corporate bonds	2,434,941	A+	S&P
Corporate bonds	623,608	A	S&P
Corporate bonds	280,743	A-	S&P
Corporate bonds	249,995	BBB+	S&P
Corporate bonds	518,335	BBB-	S&P
Asset-backed securities	195,223	Aaa	Moody's



# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 3 - Deposits and Investments (Continued)

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 1,385,837	A1	Moody's
Corporate bonds	657,544	A2	Moody's
Corporate bonds	394,259	A3	Moody's
Corporate bonds	1,267,028	Baa2	Moody's
Corporate bonds	446,470	Baa3	Moody's
U.S. government securities	6,204,124	Not Rated	N/A
U.S. government securities	6,339,785	Aaa	Moody's
Pooled investments	14,446,425	Not Rated	N/A
Bank investment pools	4,269,821	A1/PI	Moody's
Bank investment pools	14,300,697	Not Rated	N/A

#### Component Units

Bank investment pools	141,128	A1/PI	Moody's
Bank investment pools	3,942,000	Not Rated	N/A
Bank investment pools	15,578,527	AAA	S&P

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the deferred revenue recorded in governmental activities, which consisted of both unavailable and unearned funds, is as follows:

	Unavailable	Unearned	Total
Delinquent property taxes	\$ 100,000	\$ -	\$ 100,000
Special assessments	308,705	8,079,556	8,388,261
Grant receivables	152,300	-	152,300
ALS receivables	352,616	-	352,616
Other	107,433	-	107,433
Total	<u>\$ 1,021,054</u>	<u>\$ 8,079,556</u>	<u>\$ 9,100,610</u>

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 4 - Deferred Revenue (Continued)

In addition, the component units have recorded \$701,567 of deferred revenue which relates to unearned grant revenue.

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

<b>Governmental Activities</b>	Balance July 1, 2004	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2005
Capital assets not being depreciated:					
Land	\$ 21,545,967	\$ 1,895,564	\$ (654,664)	\$ (1,234,355)	\$ 21,552,512
Construction in progress	6,507,394	12,941,987	-	(271,380)	19,178,001
Subtotal	28,053,361	14,837,551	(654,664)	(1,505,735)	40,730,513
Capital assets being depreciated:					
Roads and sidewalks	213,734,872	3,345,623	(164,745)	(170,357)	216,745,393
Buildings and improvements	46,433,327	-	(156,836)	-	46,276,491
Other improvements	3,796,133	359,468	-	1,404,713	5,560,314
Machinery and equipment	29,526,510	941,849	(247,324)	271,379	30,492,414
Subtotal	293,490,842	4,646,940	(568,905)	1,505,735	299,074,612
Accumulated depreciation:					
Roads and sidewalks	115,450,311	4,394,652	(82,749)	-	119,762,214
Buildings and improvements	12,451,255	1,140,018	(35,476)	-	13,555,797
Other improvements	2,057,219	274,153	-	-	2,331,372
Machinery and equipment	13,944,107	2,580,925	(173,187)	-	16,351,845
Subtotal	143,902,892	8,389,748	(291,412)	-	152,001,228
Net capital assets being depreciated	149,587,950	(3,742,808)	(277,493)	1,505,735	147,073,384
Net capital assets	<u>\$ 177,641,311</u>	<u>\$ 11,094,743</u>	<u>\$ (932,157)</u>	<u>\$ -</u>	<u>\$ 187,803,897</u>

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2004	Additions	Disposals	Reclassifications	Balance June 30, 2005
Capital assets not being depreciated:					
Land	\$ 10,459,311	\$ -	\$ (2,000)	\$ -	\$ 10,457,311
Construction in progress	618,896	1,464,248	-	-	2,083,144
Subtotal	11,078,207	1,464,248	(2,000)	-	12,540,455
Capital assets being depreciated:					
Land improvements	18,729,787	-	-	-	18,729,787
Machinery and equipment	3,928,228	142,979	(68,519)	-	4,002,688
Buildings and building improvements	32,127,809	65,445	-	-	32,193,254
Vehicles	669,847	12,045	(45,493)	-	636,399
Sanitary sewer system	106,275,607	-	-	-	106,275,607
Water mains and meters	31,345,142	47,230	(24,979)	-	31,367,393
Furniture and fixtures	1,299,645	7,720	-	-	1,307,365
Subtotal	194,376,065	275,419	(138,991)	-	194,512,493
Accumulated depreciation:					
Land improvements	8,136,078	934,310	-	-	9,070,388
Machinery and equipment	1,333,291	362,371	(61,925)	-	1,633,737
Buildings and building improvements	2,801,444	667,031	-	-	3,468,475
Vehicles	385,251	78,446	(45,493)	-	418,204
Sanitary sewer system	12,594,814	1,437,271	-	-	14,032,085
Water mains and meters	8,801,597	878,000	(24,979)	-	9,654,618
Furniture and fixtures	585,303	97,506	-	-	682,809
Subtotal	34,637,778	4,454,935	(132,397)	-	38,960,316
Net capital assets being depreciated	159,738,287	(4,179,516)	(6,594)	-	155,552,177
Net capital assets	<u>\$ 170,816,494</u>	<u>\$ (2,715,268)</u>	<u>\$ (8,594)</u>	<u>\$ -</u>	<u>\$ 168,092,632</u>

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets (Continued)

The component unit capital assets are composed of the following:

	LDFA	TIFA	BRDA	DDA	Housing Commission	Total
Capital assets not being depreciated -						
Land	\$ 17,745	\$ 13,225,519	\$ 77,187	\$ 949,541	\$ 2,842,122	\$ 17,112,114
Capital assets being depreciated:						
Land improvements	-	265,813	-	88,000	4,412,651	4,766,464
Vehicles, machinery, and equipment	-	15,768	-	67,993	4,561,888	4,645,649
Building	-	57,937	-	-	30,890,502	30,948,439
Subtotal	-	339,518	-	155,993	39,865,041	40,360,552
Accumulated depreciation	-	(42,203)	-	(14,898)	(12,796,042)	(12,853,143)
Net capital assets being depreciated	-	297,315	-	141,095	27,068,999	27,507,409
Net capital assets	<u>\$ 17,745</u>	<u>\$ 13,522,834</u>	<u>\$ 77,187</u>	<u>\$ 1,090,636</u>	<u>\$ 29,911,121</u>	<u>\$ 44,619,523</u>

Depreciation expense was charged to programs of the primary government as follows:

#### Governmental activities:

General government	\$ 786,116
Public safety	1,773,070
Public works	4,960,731
Economic development	27,076
Recreation and culture	842,755

Total governmental activities \$ 8,389,748

#### Business-type activities:

Water	\$ 1,012,958
Sewer	1,536,269
Golf	1,331,589
Sportsplex	574,119

Total business-type activities \$ 4,454,935

#### Component unit activities:

TIFA	\$ 15,595
DDA	7,799
Housing Commission	1,870,885

Total component unit activities \$ 1,894,279

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Golf Courses Fund (major fund)	\$ 626,571
	Other nonmajor governmental funds	252,525
	Sewer Fund (major fund)	72,292
	Ecorse Creek Fund	3,855
	Total General Fund	955,243
Other nonmajor governmental funds	General Fund	117,867
	Taylor Building Authority Debt Fund	1,350,000
	Other nonmajor governmental funds	194,634
	Total nonmajor governmental funds	1,662,501
TBA 2003 Project Fund	General Fund	135,848
Ecorse Creek	Water Fund (major fund)	72,022
Sewer Fund (major fund)	Water Fund (major fund)	2,254,091
	Other nonmajor governmental funds	144,620
	Ecorse Creek	99
	Total Sewer Fund	2,398,810

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Water Fund (major fund)	General Fund	\$ 63,461
	Other nonmajor governmental funds	330,174
	Total Water Fund	393,635
	Total	<u>\$ 5,618,059</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Receivable Fund	Payable Fund	Amount
<b>Advances to/from Other Funds</b>		
General Fund	Golf Courses Fund	<u>\$ 1,750,000</u>

The advance will be repaid based on anticipated revenue from the golf course over the next six years.

### Interfund Transfers

	Transfer Out		
	Other		
	Nonmajor		
	General	Governmental	
	Fund	Funds	Total
Transfer in - Other nonmajor governmental funds	\$ 275,000	\$ 1,409,359	\$ 1,684,359

The transfer from the General Fund was to the Local Streets Fund and represents the use of unrestricted resources to finance that program. Remaining transfers were mainly between the City's two street funds to redistribute Act 51 revenue from the Major Streets to the Local Streets Fund, where the funds were then spent.

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Bonds and contractual obligations:						
1996 Michigan Transportation Fund - Debt Retirement - Amount of issue - \$3,000,000	4.9%-5.0%	\$ 1,465,000	\$ -	\$ 1,465,000	\$ -	\$ -
2001 Certificates of Participation - Honeywell Project - Amount of issue - \$4,125,000	3.9%-5.0%	3,045,000	-	385,000	2,660,000	400,000
2001 Installment Purchase Agreement - Downriver Mutual Aid E911 - Amount of issue - \$7,250,000	6.45%	5,260,624	-	669,913	4,590,711	707,141
2004 Michigan Transportation Refunding Bonds - Amount of issue - \$1,220,000	3.0%-3.5%	-	1,220,000	-	1,220,000	290,000
Taylor Building Authority Debt:						
1998 Public Facility Bonds - Villages of Taylor - Amount of issue - \$16,095,000	4.3%-5.0%	14,075,000	-	14,075,000	-	-
Building Authority Bonds - Series 2000 - Amount of issue - \$10,475,000	4.65%-5.125%	9,085,000	-	5,890,000	3,195,000	530,000
2003 Building Authority Refunding Bonds - Amount of issue - \$2,570,000	2.0%-3.0%	2,180,000	-	410,000	1,770,000	425,000
Building Authority Public Facilities Bonds - Series 2003 - Amount of issue - \$13,750,000	2.0%-5.0%	13,750,000	-	505,000	13,245,000	515,000
Road loan - State Infrastructure Bank (SIB) - Racho Road - Amount of issue - \$260,000	4.0%	142,937	-	26,233	116,704	27,301
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	2.0%-4.75%	1,250,000	-	-	1,250,000	45,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	1.63%-4.20%	-	945,000	50,000	895,000	50,000
2005 Building Authority Public Facilities Bonds - Amount of issue - \$14,795,000	3.0%-5.0%	-	14,795,000	-	14,795,000	1,175,000
2005 Building Authority Refunding Bonds - Amount of issue - \$5,315,000	5.0%	-	5,315,000	-	5,315,000	-
Ecorse Creek Pollution Abatement Drain Note, 2004 - Amount of issue - \$249,642	3.59%	-	249,642	-	249,642	100,602
Deferred costs of financing		-	(606,671)	(46,667)	(560,004)	(46,667)
Other long-term obligation - Compensated absences		5,268,411	2,173,069	1,522,883	5,918,597	1,489,090
Total governmental activities		\$ 55,521,972	\$ 24,091,040	\$ 24,952,362	\$ 54,660,650	\$ 5,707,467

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt (Continued)

	Interest Rate Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
General obligation bonds:						
Building Authority Bonds - Series 2000 - Amount of issue - \$5,525,000	4.65%-5.125%	\$ 4,995,000	\$ -	\$ 285,000	\$ 4,710,000	\$ 295,000
General Obligation Bonds - Series 2004 -						
Water and Sewer - Amount of issue - \$1,655,000	1.63%-4.20%	-	1,655,000	90,000	1,565,000	90,000
E-Z - Go Textron Financial Lease - Amount of issue - \$477,981	5.50%	363,511	-	88,298	275,213	275,213
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$80,916,895	Various	64,170,640	-	3,471,766	60,698,874	3,564,516
Other long-term obligation - Compensated absences		405,866	135,831	40,587	501,110	50,111
Total business-type activities		\$ 69,935,017	\$ 1,790,831	\$ 3,975,651	\$ 67,750,197	\$ 4,274,840
<b>Component Units</b>						
TIFA Bonds - 2000-A HUD Section 108 Loan - Senior Activities Center - Amount of issue - \$1,500,000	Various	\$ 1,140,000	\$ -	\$ 120,000	\$ 1,020,000	\$ 120,000
Installment mortgage loan	5.0%	300,000	-	300,000	-	-
Tax Increment Bonds - Series 1998 Refunding	4.55%-4.85%	13,355,000	-	1,660,000	11,695,000	1,735,000
Land Contract - Alert Kennel	6.0%	-	875,000	-	875,000	100,000
Tax Increment Bonds - Series 2001	3.9%-5.0%	34,045,000	-	970,000	33,075,000	1,060,000
Total TIFA		48,840,000	875,000	3,050,000	46,665,000	3,015,000
Brownfield Redevelopment Revenue Bonds, tax exempt - Series 2005 - Amount of issue - \$11,080,000	3.625%-4.250%	-	11,080,000	-	11,080,000	-
Brownfield Redevelopment Revenue Bonds, taxable Series 2005 - Amount of issue - \$3,080,000	4.40%-5.30%	-	3,080,000	-	3,080,000	-
Total Brownfield		-	14,160,000	-	14,160,000	-
DDA Bonds - Downtown Development Bond - Series 2002	3.0%-4.7%	2,370,000	-	80,000	2,290,000	80,000
Housing Commission - Bonds and mortgage payable	Various	27,190,622	3,530,000	929,546	29,791,076	652,163
Total component units		\$ 78,400,622	\$ 18,565,000	\$ 4,059,546	\$ 92,906,076	\$ 3,747,163
Total City debt		\$ 203,857,611	\$ 44,446,871	\$ 32,987,559	\$ 215,316,923	\$ 13,729,470



### **Note 7 - Long-term Debt (Continued)**

#### **Component Unit Debt**

The Housing Commission's debt represents the debt owed by its component unit, the TCDC. The debt represents \$24,765,000 of MSHDA bonds, a mortgage loan, and commercial loans payable. The debt is comprised mainly of Michigan State Housing Development Authority (MSHDA) Limited Obligation Multifamily Housing Revenue Bonds, Series 2003A (the "Bonds"). In 2002, the TCDC formed three single-member limited liability companies, of which the TCDC is the sole member. The Ponds of Taylor Limited Dividend Housing Association LLC (the "Ponds"), The Parks of Taylor Limited Dividend Housing Association LLC (the "Parks"), and the Courtyards of Taylor Limited Dividend Housing Association LLC (the "Courtyards") were formed with their sole assets to be those of each corresponding apartment complex. On this same date, the Parks, Ponds, and Courtyards entered into agreements to issue the MSHDA bonds and to obtain taxable supplemental real estate loans.

The Bonds have a tax-exempt variable interest rate that is determined weekly based on the remarketing agent's submitting the bonds to the market for bidding. During the audit period, the weekly interest rate fluctuated and averaged approximately 3.00 percent (APR). The interest on the bonds is due monthly, and they also have principal reserve (sinking fund) requirements that begin on the dates noted above. The interest rate on the taxable loans is fixed throughout the term. Their principal and interest payment is also paid monthly. The respective loans are secured by all of the assets of each respective LLC.

The fair value of the bonds and commercial loans payable is estimated based on the current rates offered to the TCDC for debt of the same remaining maturities. At June 30, 2005, the fair value of the bonds approximates the amounts recorded in the financial statements.

In September 2004, the TCDC obtained a commercial mortgage with a bank for \$2,500,000 in order to finance the demolition of the Springs Apartment buildings. The mortgage requires monthly payments of \$14,603 including interest of 5.68 percent per annum until October 1, 2013, when the remaining unpaid principal balance is due. The balance outstanding on this mortgage at June 30, 2005 was \$2,478,671.

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 4,265,044	\$ 2,112,548	\$ 6,377,592	\$ 4,224,729	\$ 1,824,789	\$ 6,049,518	\$ 3,747,163	\$ 3,974,338	\$ 7,721,501
2007	4,030,845	1,973,376	6,004,221	4,048,944	1,665,836	5,714,780	3,664,439	3,929,041	7,593,480
2008	4,217,254	1,814,755	6,032,009	4,161,780	1,589,522	5,751,302	3,958,069	3,760,804	7,718,873
2009	4,421,556	1,639,738	6,061,294	4,278,618	1,479,385	5,758,003	4,188,140	3,580,861	7,769,001
2010	3,749,710	1,457,644	5,207,354	4,388,713	1,364,976	5,753,689	4,683,159	3,375,851	8,059,010
2011-2015	15,102,048	4,941,240	20,043,288	23,726,001	4,792,337	28,518,338	20,332,449	13,660,355	33,992,804
2016-2020	9,510,600	1,713,294	11,223,894	20,147,309	1,616,429	21,763,738	20,611,205	8,830,200	29,441,405
2021-2025	4,005,000	411,563	4,416,563	2,272,993	54,791	2,327,784	11,453,140	4,711,736	16,164,876
2026-2030	-	-	-	-	-	-	11,441,030	2,779,316	14,220,346
2031-2033	-	-	-	-	-	-	8,827,282	622,940	9,450,222
Total	\$ 49,302,057	\$ 16,064,158	\$ 65,366,215	\$ 67,249,087	\$ 14,388,065	\$ 81,637,152	\$ 92,906,076	\$ 49,225,442	\$ 142,131,518

In conjunction with the issuances of \$19,570,000 and \$36,000,000 of Tax Increment Financing Authority (TIFA) bonds Series 1998 and 2001, respectively, the component unit is required to maintain debt service reserves in the amounts of \$1,169,500 and \$3,448,681, respectively. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage totaling \$5,310,681 for this purpose. In addition to the reserves and in conjunction with the above debt issues, the City has agreed to certain covenants, including, but not limited to, restriction on amendments to the TIFA plan districts and continued compliance with the State of Michigan regulations and statutes affecting the TIFA bond indenture.

### Defeased Debt

During the year, the City issued \$14,795,000 in LTGO Bonds with an average interest rate of 4.21 percent. The proceeds of these bonds were used to advance refund \$13,495,000 of Series 1998 Taylor Building Authority Bonds as well as provide additional financing for the Villages of Taylor project. The net proceeds of \$15,612,931 (after payment of \$224,463 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. The advance refunding reduced total debt service payments by approximately \$395,565, which represents an economic gain of \$215,000.

### **Note 7 - Long-term Debt (Continued)**

In addition, the City issued \$5,315,000 in Taylor Building Authority Bonds with an average interest rate of 5.00 percent. The proceeds of these bonds were used to advance refund \$5,390,000 of Series 2000 Taylor Building Authority Bonds. The net proceeds of \$5,831,085 (after payment of \$108,061 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. The advance refunding reduced total debt service payments by approximately \$161,784, which represents an economic gain of \$75,000.

Both of the above securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bond. As a result, both bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets (deficit).

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2005, the City's portion of bonds outstanding that are considered defeased approximates \$18,810,000 for governmental activities and \$11,450,000 for component units.

**No Commitment Debt** - Excluded from long-term debt are bonds issued under the Economic Development Corporation Act of 1974, as amended, which authorizes the formation of economic development corporations and their participation in economic development projects in the City. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities	Component Units
Unspent bond proceeds and related interest	\$ 4,666,297	\$ -	\$ 273,361
Deposits held at Wayne County	-	12,429,389	-
Restricted deposits - Cash	-	-	379,486
Restricted deposits held by lender	-	-	3,150,900
Total restricted assets	<u>\$ 4,666,297</u>	<u>\$ 12,429,389</u>	<u>\$ 3,803,747</u>

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical and property claims and for risk related to torts and errors and omissions and is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2005	2004
Unpaid claims - Beginning of year	\$ 46,539	\$ 98,587
Incurred claims - Including claims incurred but not reported	(310,063)	(323,896)
Claim payments	<u>367,380</u>	<u>271,848</u>
Unpaid claims - End of year	<u>\$ 103,856</u>	<u>\$ 46,539</u>

### **Note 10 - Defined Benefit Pension Plan**

#### **Plan Description**

**Police and Fire Retirement System** - The Police and Fire Retirement System is a single-employer defined benefit pension plan that is administered by the City of Taylor, Michigan; this plan covers almost all police and fire employees of the City. The system provides retirement disability and death benefits to plan members and their beneficiaries. At June 30, 2004, the date of the most recent actuarial valuation, membership consisted of 181 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 158 current active employees. The plan does not issue a separate financial report.

**General Employees' Pension Plan** - The General Employees' Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Taylor, Michigan; this plan covers all employees other than court and police and fire employees. The system provides retirement disability and death benefits to plan members and their beneficiaries. At December 31, 2004, the date of the most recent actuarial valuation, membership consisted of 215 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 198 current active employees. At December 31, 2004, the General Employees' Pension Plan had 8.4 percent of net assets available for benefits in annuities with one insurance company. The plan does not issue a separate financial report.

**Municipal Employees' Retirement System of Michigan** - The City also participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all 23<sup>rd</sup> District Court employees of the City. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

#### **Funding Policy**

**Police and Fire Retirement System, General Employees' Pension Plan, and Municipal Employees' Retirement System of Michigan** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

### **Note 10 - Defined Benefit Pension Plan (Continued)**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates.

#### **Annual Pension Cost**

**Police and Fire Retirement System** - For the year ended June 30, 2005, the City's contribution of approximately \$2,497,000 equaled the annual pension cost. The annual required contribution was determined as part of an actuarial valuation at June 30, 2003 using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.6 percent per year compounded annually, of which 5 percent is attributable to inflation, (b) projected salary increases of 5.0 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 3 percent per year, attributable to seniority/merit, and (d) no postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10-25 years.

**General Employees' Pension Plan** - For the year ended December 31, 2004, the City's annual pension cost of approximately \$1,133,000 for the plan was equal to the City's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002 using the aggregate cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.25 percent per year compounded annually, of which 3.5 percent is attributable to inflation, (b) projected salary increases of 3.5 percent per year compounded annually, attributable to inflation, and (c) no postretirement benefit increases. The actuarial value of assets was determined based on market value. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period.

### Note 10 - Defined Benefit Pension Plan (Continued)

**Municipal Employees' Retirement System of Michigan** - For the year ended June 30, 2005, the City's actual pension cost of \$39,415 was equal to the City's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002 using the entry age normal cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, 4.5 percent attributable to inflation (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 4.16 percent per year, attributable to seniority/merit, and (d) no postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

#### Reserves

As of June 30, 2005, the plans' legally required reserves have been fully funded as follows:

#### Police and Fire Retirement System:

Reserve for employees' contributions	\$ 6,472,563
Reserve for retired benefit payments	84,586,952

#### General Employees' Pension Plan - Reserve for employees' contributions

5,764,553

Three-year trend information for the Police and Fire Retirement System is as follows:

	Fiscal Year Ended June 30		
	2005	2004	2003
Annual pension cost (APC)	\$ 2,497,000	\$ 2,000,000	\$ 1,259,000
Percentage of APC contributed	100.0%	100.0%	100.0%

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2005

### Note 10 - Defined Benefit Pension Plan (Continued)

Three-year trend information for the Municipal Employees' Retirement System of Michigan is as follows:

	Fiscal Year Ended June 30		
	2005	2004	2003
Annual pension cost (APC)	\$ 39,415	\$ 32,151	\$ 11,166
Percentage of APC contributed	100.0%	100.0%	100.0%
	Calendar Year Ended December 31		
	2004	2003	2002
Actuarial value of assets	\$ 1,731,501	\$ 1,535,501	\$ 1,397,830
Actuarial accrued liability (AAL)			
(entry age)	\$ 1,832,652	\$ 1,786,784	\$ 1,515,175
Unfunded AAL (UAAL)	\$ 101,151	\$ 251,283	\$ 117,345
Funded ratio	94.5%	85.9%	92.3%
Covered payroll	\$ 675,551	\$ 733,427	\$ 772,725
UAAL as a percentage of covered payroll	15.00%	34.26%	15.19%

Three-year trend information for the General Employees' Pension Plan is as follows:

	Year Ended December 31		
	2004	2003	2002
Annual pension cost (APC)	\$ 1,133,000	\$ 641,000	\$ -
Percentage of APC contributed	100.0%	100.0%	- %



### **Note 11 - Defined Contribution Plan**

The City provides benefits to recently hired employees that are not eligible for the defined benefit plans through a defined contribution plan established July 1, 2003. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of hire. As established by various collective bargaining agreements, the employees are permitted to contribute up to 4 percent of their pre-tax earnings, and up to 25 percent of their after-tax earnings. The City contributes between 25 percent and 200 percent of no greater than 4 percent of the employee contributions as an employer match. The amounts in the employee's account, including earnings and employer match, are fully vested after five years of service.

The City's total payroll during the current year was \$28,182,471. The current year contribution was calculated based on covered payroll of \$609,253, resulting in an employer contribution of \$19,975 and employee contributions of \$24,371.

### **Note 12 - Subsequent Events**

Subsequent to year end, the City entered into a Municipal Purchase Agreement with E-Z Go Division of Textron Inc. to purchase golf course equipment. The total pretax price is \$563,520, which requires annual payments for principal and interest through December 1, 2009.

### **Note 13 - Contingent Liabilities**

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. The City has not recorded an estimate of this liability at June 30, 2005.

### **Note 13 - Contingent Liabilities (Continued)**

The City had been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. Under terms of a consent decree, the communities will be required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$324,000,000, with the City's share estimated to be \$83,000,000. Pursuant to the order of the U.S. District Court, the City will be entitled to judgment levy the amount necessary to pay the bond principal and interest amount. To date, approximately \$38,300,000 has been collected through the property tax levy for debt payments. As of June 30, 2005, the City has recorded approximately \$61,000,000 in remaining debt outstanding related to the required projects. During 2006, two additional bonds will be issued approximating \$5,500,000.

### **Note 14 - Other Postemployment Benefits**

The City provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 366 retirees are eligible, including 28 Water and Sewer Commission employees. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$3,588,000 paid out of the General Fund, including approximately \$284,000 for Water and Sewer Commission retirees, which was reimbursed to the General Fund out of that Enterprise Fund.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

### **Note 15 - Use Agreement**

The TCDC and HUD entered into a use agreement that contains restrictions governing the operations of the Villages of Taylor. The use agreement requires the TCDC to make certain renovations specified in the Application for Transfer of Physical Assets submitted to HUD on March 12, 1998, maintain a replacement reserve with its mortgagor, relocate tenants as agreed, and to rent 77 percent of the project's units in accordance with affordability restrictions until September 1, 2012. In addition, the use agreement contains restrictions on the amount of rental charges and distributions.

The use agreement requires allocation of any distribution of income from operations or upon the sale of individual units as follows:

- Repayment of the National City Bank mortgage loan
- Repayment of the City's equity investment of \$17,633,330 plus 6 percent interest compounded annually, which accumulated to \$26,405,618 at June 30, 2005
- Repayment of HUD's equity investment of \$16,276,340 plus interest at 6 percent compounded annually. At June 30, 2005, this amount totaled \$24,358,154.
- Any remaining distribution to the City to fund programs that benefit low- and moderate-income residents

If the distributions are the result of a sale or refinancing of the project or a portion of the project, then the distribution first repays the mortgage, next equally pays the City's and HUD's equity investments, and finally pays the City for programs that benefit low- and moderate-income residents.

## **Required Supplemental Information**

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# City of Taylor, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 3,770,977	\$ 5,823,593	\$ 5,823,593	\$ -
<b>Revenue</b>				
Property taxes	27,426,000	27,689,000	27,544,219	(144,781)
Federal sources	264,400	489,338	473,061	(16,277)
State sources	442,000	862,917	422,678	(440,239)
State-shared revenue	8,230,000	8,159,474	8,133,587	(25,887)
Fees and permits	763,000	763,000	830,657	67,657
Fines and forfeitures	3,668,000	4,305,500	4,404,456	98,956
Charges for services	2,666,500	2,975,799	3,117,290	141,491
Interest income and rents	610,000	673,000	567,535	(105,465)
Other	10,512,985	12,308,018	11,769,550	(538,468)
Transfer from other funds*	100,000	100,000	98,185	(1,815)
Total revenue	54,682,885	58,326,046	57,361,218	(964,828)
<b>Expenditures</b>				
General government	7,462,990	7,865,990	7,624,040	241,950
Public safety	17,808,450	18,039,383	17,712,957	326,426
Public works**	14,398,585	15,465,907	15,058,280	407,627
Recreation and culture	2,958,500	3,430,629	3,202,158	228,471
General administration	162,860	869,810	814,558	55,252
Employee benefits	11,891,500	12,852,682	11,661,562	1,191,120
Transfers out	-	-	275,000	(275,000)
Total expenditures	54,682,885	58,524,401	56,348,555	2,175,846
<b>Fund Balance - End of year</b>	<b>\$ 3,770,977</b>	<b>\$ 5,625,238</b>	<b>\$ 6,836,256</b>	<b>\$ 1,211,018</b>

\* This transfer is included in employee benefits in the governmental funds statement of revenue, expenditures, and changes in fund balances for the year ended June 30, 2005, as they represent reimbursements for wages.

\*\* Public works includes debt service payments, which are included in debt service in the governmental fund statement of revenue, expenditures, and changes in fund balances for the year ended June 30, 2005.

# City of Taylor, Michigan

## Required Supplemental Information Pension Systems Schedule of Funding Progress June 30, 2005 (dollar amounts in millions)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
		(AAL) - Entry	Underfunded AAL			
		Age	(UAAL)			
		(b)	(b-a)			

### Police and Fire Retirement System

06/30/98	\$ 90.2	\$ 80.2	\$ (10.0)	112.5	\$ 8.6	-
06/30/99	100.5	95.7	(4.8)	105.0	9.7	-
06/30/00	107.0	100.5	(6.5)	106.5	9.1	-
06/30/01	109.9	106.8	(3.1)	102.9	9.6	-
06/30/02	108.0	110.5	2.5	97.7	10.6	23.6
06/30/03	104.0	113.0	9.0	92.0	10.6	85.0
06/30/04	100.4	117.1	16.7	85.7	11.2	149.1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
		(AAL) - Entry	Underfunded AAL			
		Age	(UAAL)			
		(b)	(b-a)			

### General Employees' Retirement System

12/31/98	\$ 58.6	\$ 58.6	\$ -	100.0	\$ 7.4	-
12/31/99	62.5	62.5	-	100.0	7.8	-
12/31/00	62.3	62.3	-	100.0	9.8	-
12/31/01	60.6	60.6	-	100.0	10.0	-
12/31/02	57.3	57.3	-	100.0	10.3	-
12/31/03	55.5	55.5	-	100.0	10.1	-
12/31/04	54.1	54.1	-	100.0	10.3	-

# City of Taylor, Michigan

## Required Supplemental Information Schedule of Employer Contributions June 30, 2005

### Police and Fire Retirement System

Year Ended June 30	Valuation Date June 30	Annual Required Contribution	Percentage Contributed
1999	1998	\$ 871,027	100
2000	1999	340,256	100
2001	2000	812,963	100
2002	2001	579,042	100
2003	2002	1,258,709	100
2004	2003	2,000,194	100
2005	2004	2,497,495	100

### General Employees' Retirement System

Year Ended June 30	Valuation Date June 30	Annual Required Contribution	Percentage Contributed
1999	1997	\$ -	100
2000	1998	-	100
2001	1999	-	100
2002	2000	-	100
2003	2001	-	100
2004	2002	641,358	100
2005	2003	1,133,342	100

# City of Taylor, Michigan

## **Required Supplemental Information Schedule of Employer Contributions (Continued) June 30, 2005**

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2004 (Police and Fire Retirement System) and December 31, 2004 (General Employees' Pension Plan), the latest actuarial valuation dates, follows:

	<u>Police and Fire Retirement System</u>	<u>General Employees' Pension Plan</u>
Actuarial cost method	Individual entry age	Aggregate
Amortization method	Level percent, closed	Level dollar, closed
Remaining amortization period	10-25 years	13 years
Asset valuation method	4-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return*	7.60%	7.25%
Projected salary increases*	0.00%-3.00%	3.5%
*Includes inflation at	5.00%	3.5%
Cost of living adjustments	None	None



## **Other Supplemental Information**

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# City of Taylor, Michigan

	Special Revenue Funds							
	Major Streets	Local Streets	Police Forfeiture	Community Development Block Grant	Building Department	1996 Voted Levy	DARE/GREAT	Local Law Enforcement Block Grant
<b>Assets</b>								
Cash and investments	\$ 1,138,440	\$ 10,471	\$ 1,785,825	\$ 7	\$ 29,206	\$ 1,784,539	\$ 57,032	\$ 30,983
Accounts receivable - Special assessments	-	2,949	-	-	-	-	-	-
Due from other governmental units	478,538	210,395	-	132,942	-	-	-	-
Due from other funds	-	311,002	1,499	-	-	1,350,000	-	-
Prepaid expenses	-	-	100,793	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,616,978</u>	<u>\$ 534,817</u>	<u>\$ 1,888,117</u>	<u>\$ 132,949</u>	<u>\$ 29,206</u>	<u>\$ 3,134,539</u>	<u>\$ 57,032</u>	<u>\$ 30,983</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 216,149	\$ 453,571	\$ 15,734	\$ 119,846	\$ 5,820	\$ 1,618,205	\$ 1,520	\$ -
Deferred revenue	-	2,949	-	-	-	-	55,512	-
Due to other funds	347,251	47,676	-	13,103	23,386	17,362	-	17
Total liabilities	563,400	504,196	15,734	132,949	29,206	1,635,567	57,032	17
<b>Fund Balances</b>								
Reserved for construction and other expenditures	-	-	-	-	-	1,498,972	-	-
Unreserved	1,053,578	30,621	1,872,383	-	-	-	-	30,966
Total fund balances	1,053,578	30,621	1,872,383	-	-	1,498,972	-	30,966
Total liabilities and fund balances	<u>\$ 1,616,978</u>	<u>\$ 534,817</u>	<u>\$ 1,888,117</u>	<u>\$ 132,949</u>	<u>\$ 29,206</u>	<u>\$ 3,134,539</u>	<u>\$ 57,032</u>	<u>\$ 30,983</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005**

Debt Service Funds			Capital Projects Fund		
General Obligation Debt	1996 Michigan Transportation Fund Bond	DMA/ 911 Debt	2004 LTGO Capital Improvement Bond Fund	TBA Construction	Total Nonmajor Governmental Funds
\$ 186,554	\$ 343,030	\$ 896,095	\$ -	\$ -	\$ 6,262,182
-	-	-	-	-	2,949
-	-	570	-	-	822,445
-	-	-	-	-	1,662,501
-	-	-	-	-	100,793
-	-	-	1,081,976	-	1,081,976
<u>\$ 186,554</u>	<u>\$ 343,030</u>	<u>\$ 896,665</u>	<u>\$ 1,081,976</u>	<u>\$ -</u>	<u>\$ 9,932,846</u>
\$ -	\$ -	\$ -	\$ 348,709	\$ -	\$ 2,779,554
-	-	-	-	-	58,461
-	-	-	454,222	-	903,017
-	-	-	802,931	-	3,741,032
-	-	-	279,045	-	1,778,017
186,554	343,030	896,665	-	-	4,413,797
186,554	343,030	896,665	279,045	-	6,191,814
<u>\$ 186,554</u>	<u>\$ 343,030</u>	<u>\$ 896,665</u>	<u>\$ 1,081,976</u>	<u>\$ -</u>	<u>\$ 9,932,846</u>

# City of Taylor, Michigan

	Special Revenue Funds							
	Major Streets	Local Streets	Police Forfeiture	Community Development Block Grant	Building Department	1996 Voted Levy	DARE/GREAT	Local Law Enforcement Block Grant
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,483,873	\$ -	\$ -
Licenses and permits	-	-	-	-	1,364,516	-	-	-
Federal sources	-	-	714,246	696,310	-	-	-	27,562
State sources	2,966,768	1,043,216	225,715	-	-	-	-	-
Interest and rent	20,843	4,388	26,518	-	1,053	26,942	761	359
DMA/911 revenue	-	-	-	-	-	-	-	-
Other	-	8,587	-	-	-	-	23,648	-
Total revenues	2,987,611	1,056,191	966,479	696,310	1,365,569	1,510,815	24,409	27,921
<b>Expenditures</b>								
Current:								
Public works and capital projects	861,476	2,091,724	-	-	1,365,569	-	-	-
Community development	-	-	-	696,310	-	-	-	-
Construction and development	646,839	278,683	-	-	-	1,629,048	-	-
Capital outlay and other	25,000	25,000	564,557	-	-	-	24,409	17
Debt service	32,056	81,492	-	-	-	13,769,047	-	-
Total expenditures	1,565,371	2,476,899	564,557	696,310	1,365,569	15,398,095	24,409	17
<b>Excess of Revenues Over (Under) Expenditures</b>	1,422,240	(1,420,708)	401,922	-	-	(13,887,280)	-	27,904
<b>Other Financing Sources (Uses)</b>								
Proceeds from issuance of debt	-	-	-	-	-	14,795,000	-	-
Net bond premium	-	-	-	-	-	591,252	-	-
Transfers in	-	1,359,438	-	-	-	-	-	3,062
Transfers out	(1,406,297)	-	(3,062)	-	-	-	-	-
Total other financing sources (uses)	(1,406,297)	1,359,438	(3,062)	-	-	15,386,252	-	3,062
<b>Change in Fund Balance</b>	15,943	(61,270)	398,860	-	-	1,498,972	-	30,966
<b>Fund Balances - Beginning of year</b>	1,037,635	91,891	1,473,523	-	-	-	-	-
<b>Fund Balances - End of year</b>	<u>\$ 1,053,578</u>	<u>\$ 30,621</u>	<u>\$ 1,872,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,498,972</u>	<u>\$ -</u>	<u>\$ 30,966</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2005**

Debt Service Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
General Obligation Debt	1996 Michigan Transportation Fund Bond	DMA/ 911 Debt	2004 LTGO Capital Improvement Bond Fund	TBA Construction	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,483,873
-	-	-	-	-	1,364,516
-	-	-	-	-	1,438,118
-	-	-	-	-	4,235,699
2,914	2,416	10,422	27,664	5,544	129,824
-	-	1,463,449	-	-	1,463,449
-	-	-	-	-	32,235
2,914	2,416	1,473,871	27,664	5,544	10,147,714
-	-	-	661,886	2,719,131	7,699,786
-	-	-	-	-	696,310
-	-	-	-	-	2,554,570
-	36,119	-	31,733	-	706,835
11,027	1,503,700	989,721	-	-	16,387,043
11,027	1,539,819	989,721	693,619	2,719,131	28,044,544
(8,113)	(1,537,403)	484,150	(665,955)	(2,713,587)	(17,896,830)
-	1,220,000	-	945,000	-	16,960,000
-	-	-	-	-	591,252
-	321,859	-	-	-	1,684,359
-	-	-	-	-	(1,409,359)
-	1,541,859	-	945,000	-	17,826,252
(8,113)	4,456	484,150	279,045	(2,713,587)	(70,578)
194,667	338,574	412,515	-	2,713,587	6,262,392
<b>\$ 186,554</b>	<b>\$ 343,030</b>	<b>\$ 896,665</b>	<b>\$ 279,045</b>	<b>\$ -</b>	<b>\$ 6,191,814</b>

# City of Taylor, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2005

	Trust Funds			Agency Funds		
	Pension and Other Employee Benefit Plans					
	General		Total	23rd District		Total
	Police and Fire Retirement System	Employees' Pension Plan*		Tax Receiving	Court	
<b>Assets</b>						
Cash and equivalents	\$ 500	\$ 1,595,451	\$ 1,595,951	\$ 1,113,087	\$ 44,769	\$ 1,157,856
Investments:						
Corporate bonds	9,650,741	4,731,962	14,382,703	-	-	-
U.S. government securities	28,852,039	11,183,163	40,035,202	-	-	-
Common and preferred stock	38,524,789	29,310,904	67,835,693	-	-	-
Asset-backed securities	2,266,169	-	2,266,169	-	-	-
Money market	3,246,090	-	3,246,090	-	261,933	261,933
Annuity contracts	-	4,311,796	4,311,796	-	-	-
Mutual funds	14,446,426	-	14,446,426	-	-	-
Due from other governmental units	-	-	-	931,653	-	931,653
Accrued interest	464,661	184,973	649,634	-	-	-
<b>Total assets</b>	<b>97,451,415</b>	<b>51,318,249</b>	<b>148,769,664</b>	<b>\$ 2,044,740</b>	<b>\$ 306,702</b>	<b>\$ 2,351,442</b>
<b>Liabilities</b>						
Due to other governmental units	-	-	-	\$ 1,995,058	\$ 194,466	\$ 2,189,524
Cash bonds and deposits	-	-	-	-	112,236	112,236
Tax collections distributable	-	-	-	49,682	-	49,682
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 2,044,740</b>	<b>\$ 306,702</b>	<b>\$ 2,351,442</b>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 97,451,415</b>	<b>\$ 51,318,249</b>	<b>\$ 148,769,664</b>			

\* Balances are as of December 31, 2004

# City of Taylor, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2005

	Police and Fire Retirement System	General Employees' Pension Plan*	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 4,614,495	\$ 1,668,734	\$ 6,283,229
Net increase in fair value of investments	1,838,052	3,790,337	5,628,389
Less investment expenses	(153,799)	(269,602)	(423,401)
Net investment income	6,298,748	5,189,469	11,488,217
Contributions:			
Employer	2,497,495	1,133,342	3,630,837
Employee	682,906	532,438	1,215,344
Total contributions	3,180,401	1,665,780	4,846,181
Total additions - Net of investment expenses	9,479,149	6,855,249	16,334,398
<b>Deductions</b>			
General and administrative	21,525	68,816	90,341
Benefit payments	7,805,339	4,420,241	12,225,580
Total deductions	7,826,864	4,489,057	12,315,921
<b>Net Increase in Net Assets</b>	1,652,285	2,366,192	4,018,477
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>			
Beginning of year	95,799,130	48,952,057	144,751,187
End of year	<u>\$ 97,451,415</u>	<u>\$ 51,318,249</u>	<u>\$ 148,769,664</u>

\* Balances are as of December 31, 2004

# City of Taylor, Michigan

## Other Supplemental Information Combining Statement of Net Assets Component Unit - Housing Commission Year Ended June 30, 2005

	Housing Commission*	Taylor Community Development Corporation*	Total
<b>Assets</b>			
Cash and investments	\$ 599,577	\$ 749,825	\$ 1,349,402
Due from other governmental units	178	711,976	712,154
Accounts receivable	-	220,952	220,952
Deferred charges	-	2,687,607	2,687,607
Prepaid expenses and other assets	21,140	736,912	758,052
Restricted assets	-	3,530,386	3,530,386
Notes receivable and accrued interest	-	1,423,942	1,423,942
Capital assets	2,331,405	27,579,716	29,911,121
Total assets	2,952,300	37,641,316	40,593,616
<b>Liabilities</b>			
Bank overdraft - Operations	-	570,856	570,856
Accounts payable	168,370	609,415	777,785
Tenant security deposits	27,166	289,817	316,983
Accrued liabilities and other	12,933	379,128	392,061
Long-term debt	-	29,791,076	29,791,076
Total liabilities	208,469	31,640,292	31,848,761
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	2,331,405	1,457,989	3,789,394
Restricted	-	4,280,211	4,280,211
Unrestricted	412,426	262,824	675,250
Total net assets	<u>\$ 2,743,831</u>	<u>\$ 6,001,024</u>	<u>\$ 8,744,855</u>

\* Balances are as of March 31, 2005 for the Housing Commission and as of June 30, 2005 for the Taylor Community Development Corp., its component unit.



# City of Taylor, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Component Unit - Housing Commission Year Ended June 30, 2005

	Housing Commission*	Taylor Community Development Corporation*	Total
<b>Revenue</b>			
Rental income	\$ 275,376	\$ 6,057,343	\$ 6,332,719
Other income	<u>3,185,915</u>	<u>3,866,561</u>	<u>7,052,476</u>
Total revenue	3,461,291	9,923,904	13,385,195
<b>Expenditures</b>			
General administration	271,965	2,231,984	2,503,949
Housing assistance payments	2,589,799	-	2,589,799
Utilities	118,669	1,430,434	1,549,103
Operation and maintenance	206,912	3,581,875	3,788,787
Depreciation and amortization	132,394	1,738,491	1,870,885
Other	<u>59,391</u>	<u>1,120,347</u>	<u>1,179,738</u>
Total expenditures	<u>3,379,130</u>	<u>10,103,131</u>	<u>13,482,261</u>
<b>Operating Income (Loss)</b>	82,161	(179,227)	(97,066)
<b>Nonoperating Revenue (Expenses)</b>			
Other nonoperating income	6,420	308,991	315,411
Loss on sale of property	-	(3,011,473)	(3,011,473)
Interest income	6,202	128,994	135,196
Interest expense	<u>-</u>	<u>(1,041,735)</u>	<u>(1,041,735)</u>
Total nonoperating revenue (expenses)	<u>12,622</u>	<u>(3,615,223)</u>	<u>(3,602,601)</u>
<b>Net Income (Loss)</b>	94,783	(3,794,450)	(3,699,667)
<b>Net Assets - Beginning of year, as restated</b>	<u>2,649,048</u>	<u>9,795,474</u>	<u>12,444,522</u>
<b>Net Assets - End of year</b>	<u><u>\$ 2,743,831</u></u>	<u><u>\$ 6,001,024</u></u>	<u><u>\$ 8,744,855</u></u>

\* Balances are as of March 31, 2005 for the Housing Commission and as of June 30, 2005 for the Taylor Community Development Corp., its component unit.

December 21, 2005

Honorable Mayor and Members  
of the City Council  
City of Taylor  
23555 Goddard Road  
Taylor, MI 48180

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements for the City of Taylor for the year ended June 30, 2005. As a result of our audit, we offer the following observations and comments for your consideration:

#### OVERVIEW OF THE CITY'S FINANCIAL CONDITION

The General Fund total fund balance at June 30, 2005 increased 17% over 2004 to approximately \$7,079,000, of which approximately \$3,052,000 is reserved. The unreserved portion of the fund balance, which totaled approximately \$3,784,000, declined 8% from 2004. The unreserved portion of fund balance represents approximately 7% of 2006 budgeted expenditures, excluding transfers to other funds. In the near-term, the City will continue to face future revenue reductions as the State's economic situation and associated revenue sharing payments decline. In addition, as discussed in prior years, the City's recurring operating expenditures in the General Fund continue to outpace recurring revenue sources. In the current year that structural difference (excess of expenditures over revenues) was approximately \$3,043,000. In fiscal year ended June 20, 2004 the structural difference was approximately \$321,000. For 2005/2006 the budgeted structural difference is approximately \$4,400,000. Furthermore, certain operating expenditures such as health care costs and actuarial required general employee pension contributions continue to increase significantly from prior years amounts. As City management is well aware, it continues to be critical to maintain a sufficient level of fund balance to be able to adjust to expected and unanticipated financial changes, such as you are currently experiencing. An adequate level of fund balance better positions the City to address negative financial changes without significantly disrupting the level of services provided to citizens or the City's ability to fund future obligations. We encourage the Mayor and Council to continue to actively monitor the financial position of the City to achieve budgeted results and plan for improving General Fund fund balance levels over an established future timeframe.

The Golf Courses Fund and Taylor Sportsplex Fund also continue to operate at a deficit on an annual basis. Even with adjustments for non-cash outlays such as depreciation, these funds do not generate sufficient cash flows to fund operations, debt service and future capital needs. As a result, the long-term interfund liability from the Golf Courses Fund to the General Fund grew by \$550,000 during the year ended June 30, 2005. It is our understanding that the City is currently reviewing the 2006 calendar year budget within the Golf Courses Fund with the intent

of developing a plan which will generate sufficient cash flow over time to allow it to repay the interfund loan balance and to help improve the future financial outlook of the Golf Courses. In addition, we encourage the City to consider charging a reasonable interest rate to the Golf Course Fund for the loan.

As mentioned in previous council meetings and in consideration of the City's financial position and the current negative economic business climate, we strongly recommend the City create/update its three-to-five year operating plan and financial forecast that would include alternative scenarios the City could expect to encounter. The following are examples of different situations that will arise:

- Expected changes in employee work force (contract expirations, renegotiations, attrition, etc.)
- The declining level of state shared revenue received
- The expected levels of targeted capital and infrastructure expenditures including future debt service requirements
- The restricted growth of future property tax revenues
- Ability to provide future services consistent with today's level

In light of your recent municipal capital investments within the City, including future debt service commitments related to the road and infrastructure reconstruction programs and the construction and operations of new municipal facilities, the development of an operating plan and cash flow forecast is imperative. By preparing plans under different scenarios, the City would be better equipped to respond to expected and unexpected short-term and long-term financial constraints.

## **REVIEW OF INTERNAL CONTROLS/REPORTABLE CONDITIONS**

In planning and performing our audit of the financial statements of the City of Taylor for the year ended June 30, 2005, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters noted are only those that came to our attention and had our procedures in internal control related matters been more extensive, other matters may have been noted.

During our review of the bank reconciliation process, it was noted there was a delay of one to three months from the time the bank statement was received until the time certain bank reconciliations were prepared. Although there has been some turnover in the bookkeeping function of the finance department, the City should make the bank reconciliation process a priority, and prepare all reconciliations on a timely basis.

In addition to the above comment, in our testing of certain Parks and Recreation Department activities, it came to our attention that not all activities are following the same cash collection procedures, including the lack of uniform usage of a cash register and/or pre-numbered receipts. Furthermore, we noted no specific procedures in place addressing when money collected from the different remote locations within the department is brought to the Community

Center for reconciliation and deposit. After the cash does arrive at the central location, we also noted that many of the bank deposits are not consistently made timely. There was also one instance in our sample selected where the deposit was incorrectly posted to an activity that the funds did not relate to, and the related checks were deposited 3 months after they were dated by the program participants. The Parks and Recreation Department needs to re-establish accountability and enhance control procedures that are consistently followed throughout all programs to improve its internal controls and to provide assurance that the cash collected at all locations is being properly recorded and timely deposited into the bank.

## STATE SHARED REVENUE

The Governor's budget for the State of Michigan's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. In essence, no further reductions to revenue sharing below the current FY 04/05 funding level were being proposed. During the budget deliberation process over the spring and summer, cuts were proposed by the Legislature to revenue sharing and then subsequently restored. While the expectation is that revenue sharing payments on an individual community by community basis for fiscal year 2005/2006 will be funded at fiscal year 2004/2005 levels, the Legislature still must finalize its budget negotiations and the revenue sharing act will require an amendment to accomplish distribution in this manner.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state shared revenue payments revenue sharing and for fiscal years 2004/2005 and 2005/2006 the appropriation in the State's budget for revenue sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. There appears to be no long term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

As a result of a changes made by the State to revenue sharing last year, counties were required to move their property tax levy date for their operating millage from December to July in July 2005. A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out.

State shared revenue accounts for approximately 14% of the City's total General Fund revenue. The table below details state shared revenue for the City over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the City compared to the State's fiscal year 2000.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2000</u>
2000	\$5,389,735	\$4,800,080	\$10,189,815	\$-
2001	\$5,941,001	\$4,274,319	\$10,215,320	\$25,505
2002	\$5,407,278	\$4,317,858	\$9,725,136	(\$464,679)
2003	\$4,758,632	\$4,390,958	\$9,149,590	(\$1,040,225)
2004	\$3,879,957	\$4,343,263	\$8,223,220	(\$1,966,595)
2005	\$3,686,673	\$4,446,914	\$8,133,587	(\$2,056,228)
2006-estimated	\$3,528,000	\$4,605,000	\$8,133,000	(\$2,057,000)

#### PROPERTY ASSESSMENT CAP

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%

The 2004 inflation factor was used for property taxes levied in the City's fiscal year ended June 30, 2005. Property taxes are the City's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the City is performing long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth on the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back". However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended June 30, 2005, the City's Headlee maximum property tax rate for its operating levy was 8.4797 mills even though City Charter would allow the City to levy 9.5 mills for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated by a recent study published by the Michigan Municipal League (with the participation of the Michigan Townships Association and the Michigan Association of Counties), due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), the downward pressure on millage rates will continue particularly given the significant gap that now exists between taxable value and state equalized value.

## **TAX MATTERS**

The Governor and Legislature are working on a significant business tax reform plan. The major focus of their efforts is around the Michigan Single Business Tax. The business tax reform plans appear to spare local governments from any negative impact of the changes. A key component to most of the tax restructuring proposals is significant credit on personal property taxes paid by certain businesses. Many questions have arisen such as who determines the property that qualifies for credit, how will local governments be reimbursed by the State for the lost tax revenue as is the stated intention, etc. The full impact on local from these potential changes cannot be determined yet. There has also been discussion about plans to address a loophole in property tax assessments related to commercial property (known as WPW).

The loophole involving the inconsistent treatment of the assessment of commercial property is commonly referred to as the "WPW Case" involving the City of Troy. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This method of assessing commercial property (known as the "occupancy method") has been used by assessors to give commercial property owners a break when occupancy of their property has decreased and then to restore the taxable value of the property consistent with previous levels when occupancy increases. There are two bills in the House currently (House Bills 5096 and 5097) that have received hearings and consideration which would address this matter.

## **TAXING MUNICIPAL RECREATION OPERATIONS**

During the State's fiscal year 2005/2006 budget discussions, a proposal was introduced to put certain municipal operations that are in competition with the private sector on an equal playing field by requiring them to pay certain state taxes paid by the private sector. The main target appears to be municipal golf course operations but other recreation operations (such as ice arenas) could also become part of the scope. There have been some hearings on the subject and it is not clear which direction this issue will take in the future. City management should closely monitor state legislature discussions related to this matter.

## **TELECOMMUNICATIONS MATTERS**

At the federal level, there is significant lobbying of the FCC by the phone companies who, for competitive reasons, want to also be in the cable television franchise business. Close monitoring of activities at the FCC is warranted to ensure that control of municipal right-of-ways, including the related franchise fees, remains at the local government level.

## **MUNICIPAL FINANCE ACT REVISIONS – REMINDER**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City's year end (December 31, 2005) and is good for one year thereafter. The City should consider the need to file a qualifying statement for each of its component units.

## **LOCAL GOVERNMENT FINANCE MODEL**

This spring, the Governor issued an Executive Order assembling a Local Government Fiscal Task Force to study the financial challenges of Michigan local governments. While their report was originally due by November 30, 2005, the Local Government Fiscal Task Force did not hold its first meeting until September 2005. It is uncertain when this report will be completed and available to the public.

Unrelated to the Local Government Fiscal Task Force, The Citizens Research Council is conducting a study focused on documenting the nature and extent of structural fiscal problems facing local governments and to catalogue local services and activities for local units (with the intention that local governments will use this information to study the possibility of greater collaborative efforts to optimize government resources).

## **POST-EMPLOYMENT BENEFITS**

Two new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB 43 and 45 address the accounting and disclosures related to post-employment benefits other than pensions. In short, these pronouncements will require communities to account for and disclose liabilities related to health care promises to retirees,

much in the same way that pensions are handled. Starting in fiscal year 2007-2008, the City will be required to measure its retiree health care liability through actuarial valuations that are to be performed biennially. These valuations will compute an "annual required contribution". The annual required contribution is the amount the actuary believes is necessary to fund the benefit over a period of 30 years or less.

## **FEDERAL REVENUE**

In conjunction with our testing of the federal expenditures during the current year, we offer the following comments broken down by the grant to which they relate:

### **Community Development Block Grant**

- Upon our review of the City's consolidated plan on the use of its grant funding for the fiscal year ending June 2006, it was noted that the report was due in April 2005, however it was not filed until July 2005. We encourage the City to ensure these reports are filed timely to avoid any potential loss of current or future grant funding. This will be reported as a material non-compliance finding in the Federal Programs compliance audit report.
- During our testing of the program income, it was noted that the discharge of a mortgage was not performed within a reasonable amount of time after receiving the money. The homeowners paid off the loan during May 2005, and the lien was not discharged until September 2005. In an effort to improve the timeliness of the release of the lien, we recommend the Community Development Block Grant department send the finance department a copy of the discharge lien so the paperwork can be reviewed and verified that a discharge has taken place within a reasonable amount of time.
- While reviewing the disbursements approval process for the grant, it was noted that the Director is the only individual specifically authorized to be approving the expenditures. During the current year, there was a time period where the Director was on temporary leave from the City and her Administrative Assistant took over the approval of the requisitions, however, this individual was not given written authorization to be the Acting Director. Although the Administrative Assistant is familiar with the grant, and we did not find any inappropriate expenditures in our audit sample, the City should formally designate the temporary roles when these situations arise to ensure the all the approvals are appropriately being made by individuals familiar with the grant.
- We also noted during our testing that the City was collecting loan subordination fees (both cash and checks) but was not depositing the receipts timely. We suggest that all fees received be required to be paid by check or similar instrument. In addition, all collections should be remitted to City Treasury on a timely basis.
- There was a HUD monitoring visit during 2004/2005 which resulted in several findings. We strongly recommend that the City timely address all HUD findings and develop procedures to eliminate a recurrence of the non-compliance conditions and/or events.



### **Brownfield Cleanup Revolving Loan Fund**

- During the 2004/2005 fiscal year the Brownfield did not meet federally mandated bid procedures with respect to an improvement project funded with federal dollars. This will be reported as a non-compliance finding in the federal programs compliance audit report.
- During the 2004/2005 fiscal year the Brownfield did not follow federally mandated cash management procedures related to an improvement project funded with federal dollars. This will be reported as a non-compliance finding in the federal programs compliance audit report.
- During our review of the program, it was noted that the federal revenue is passed through the Brownfield Redevelopment Authority and awarded as a loan to other organizations. One of the two organizations receiving the funding is the I-94/Beverly LLC. The LLC, which is a component unit of the TCDC, signed an agreement to repay the Brownfield Redevelopment Authority for a loan in the amount of \$600,000. However, the amount passed through to the LLC was actually \$750,000. The Authority should revise the agreement and obtain new signatures from all parties to ensure the amount repaid to the Authority is equal to the amount actually loaned.
- During our review of the reporting requirements, we noted that the quarterly and annual financial status reports were not filed as required. After bringing to the City's attention, they were subsequently filed during November 2005. We recommend the City appoint an individual to be responsible for the reporting to ensure it is submitted when required to avoid any potential loss of current or future grant funding. This will be reported as a non-compliance finding in the federal programs compliance audit report.

### **Federal Equitable Sharing Program/Police Forfeitures**

- During our testing of the Federal forfeitures, we noted certain costs that were originally charged to the program which were not spent on allowable costs. The unallowed amounts initially identified in the compliance audit procedures were subsequently adjusted so that the City is in compliance as of June 30, 2005. We strongly recommend the City follow up with proper regulatory authorities regarding eligible uses of forfeiture and similar type funds prior to expensing and using those funds. It is our understanding that there is a large construction project underway for 2005/2006 which is expected to utilize an appreciable amount of federal forfeiture money. The City should ensure that all expenditures are eligible prior to using any forfeiture funds.

### **INTERNAL CONTROL CONSIDERATIONS AND OTHER ACCOUNTING COMMENTS**

**Water Loss** – As discussed in the prior year, we noted water loss has been steadily increasing over the past several years. It is our understanding that the City has begun monitoring the increases including identifying potential reasons for the increases. After further discussions with personnel in the water department, it has come to our attention that when the permits are given for fire hydrant rentals, the party who pays for the permit hooks the meter up to the hydrant, not

City personnel. This could be one source for water loss within the City if the party renting the hydrant begins using the water without first hooking up the hydrant meter. We encourage the City to implement procedures whereby City employees hook up the meters versus the renting party. We also encourage management to continue monitoring water loss to ensure rates are set appropriately and to assist with determining long range capital improvement plans.

**Ticket Control – Police Department and District Court** - We have in various previous periods discussed ticket control procedures with representatives from public safety and the District Court. It is our understanding that procedures have recently been initiated between the Court and Police Department whereby the ticket log books will be regularly reconciled between the two entities. We strongly encourage the Police Department and the Court to actively and timely employ these procedures to provide adequate controls such as the following:

- Supervisory approval of ticket sequence issuance when an officer takes a book of tickets from the store room.
- Reconciling the ticket activity log book maintained at the Police Department to the Court files
- Adequate and timely follow-up procedures to identify and account for all missing tickets

**General Employees Retirement System** – During the year ended June 30, 2005, the City did not have in place a fully functioning retirement board to serve its General Employees Retirement System. Although an informal pension board did exist, its role was primarily limited to investment related matters. Therefore, the general employees retirement system did not formally approve the determination of benefits or the calculation of new retirees' benefits including final average compensation (FAC). However, we do understand that the H.R. Department at the City is performing these calculations with assistance from the City's actuary, Gabriel Roeder. It is also our understanding that the City Council has recently adopted an ordinance which formally establishes the General Employees Pension board. This Board is currently working with attorney's and advisors to determine its overall responsibilities and procedures.

The City's personnel department has recently taken over the calculation of employee reserves for this system. As the City transitions this responsibility in full to that department, it may be beneficial to review current processes and determine what, if any, additional accounting or procedural items should be done to enhance the internal control system related to the plan. During the audit, we noted that there is currently no annual reconciliation being performed which agrees actual calendar year contributions from the accounting records to the contributions used in the calculation of the employee reserves. In addition, the City may want to ensure its employee reserve reconciliation procedures reconcile the total of all pension contributions for the year as well as the ending reserves to the sum of all the employee worksheets that are being used to track the reserves on an individual employee basis.

**Administrative Charges to Major and Local Street Funds** - Annually, administrative charges to the Major and Local Street fund cannot exceed 10 percent of total Act 51 revenue. During the 2004/2005 fiscal year, charges to these funds were less than 2 percent of Act 51 revenue. City management should review the current process for charging administrative costs to Major and Local Street Funds to verify the amounts charged are commensurate with the benefit

received. Opportunities to increase administrative charges (within the required limits) should be considered where the underlying documentation supports additional charges.

**Property Tax Receivables** - We once again noted that the City's accounting system does not track delinquent personal property taxes by tax year. Efforts should be made to determine the year of the delinquency and, certain receivables, generally those greater than 5 to 7 years old, should be written off. Annually, the accounting records should be reconciled to the treasurer's office to ensure propriety of the amounts recorded.

**Capital Assets** - For governmental activities, external costs incurred to build and/or purchase tangible assets including related installation should be capitalized under GASB 34 for government wide reporting purposes. Capitalized internal costs such as salaries should normally be limited to strictly incremental costs and/or individuals whose time and efforts are exclusively dedicated to construction type projects.

**Library Property Tax Levy** - We noted the library expenditures over the past three years have been less than the revenues generated from the tax levy. As these amounts are accounted for in the General Fund, any excess revenue over expenditures must be reserved for future library costs. The City may wish to review its long-term plans related to the library, to ensure that the millage rates being levied are appropriate.

**Performance Deposits** - During our review of the listing of performance bond deposits, we noted that there are a considerable amount of open deposits that are greater than 10 years old. We recommend the City periodically review and take the appropriate action to ensure the listing maintained is current and accurate.

**Cross-training Employees** - In reviewing a couple different audit areas, it came to our attention that some of different duties within the finance department are not rotated when employees are on vacation, nor are other individuals trained to utilize software other than which they are primarily responsible for on a day to day basis. We encourage that others within the department understand the different software packages and related procedures that occur on a monthly basis in order to assist with different functions as needed.

**Payroll** - During our review of the payroll system, we noted that multiple departments do not utilize timesheets. Although the majority of the departments that do not utilize timesheets have salaried employees, we recommend that the City consider a timesheet system be put into place in order to track the actual hours worked and to assist in the calculation of comp time, as well as facilitating the tracking of vacation and sick time used.

**Police and Fire Retirement System** - During our review of the final average compensation calculations, it came to our attention that those final calculations are not reviewed by anyone other than the preparer. Although we did not find any errors in the calculations of the sample we chose, a second authorized individual should review the calculations after prepared.

**Journal Entries** - While testing the journal entries, we noted that although the finance director reviews all the manual journal entries within the finance department, no one reviews the journal entries prepared by the finance director. We recommend that in the event that the finance director prepares a journal entry, the chief accountant review those in order to add an extra level of review.

**Accounts Payable** – While reviewing the accounts payable during the current year, it came to our attention that there were invoices maintained within the Economic Development Department which were not provided timely to the finance department for inclusion in the year-end payables. Although these items were eventually appropriately accounted for and recorded in the proper fiscal year, we encourage all departments within the City to inform the finance department of the open invoices, particularly those payable as of June 30, 2005.

It was also noted during our testing that certain construction contract accounts payable invoices that were for services performed in a period which included the June 30, 2005 balance sheet date were not recorded in the proper fiscal period. After a review of all open year-end contracts, adjustments were made to properly record the appropriate amounts in the June 30, 2005 fiscal year-end period. Going forward, closer attention needs to be paid to the status of construction projects to ensure that expenses which span two fiscal years are recorded in the correct period.

**Whistleblower Policy** – During various discussions we had with different individuals throughout the City, we learned that the City does not currently have a whistleblower policy in place. We encourage the City to establish a policy in an effort to encourage employees to report any wrongdoing within the City, while protecting their anonymity when communicating this information.

We would like to thank Mayor Priebe, Ms. Trueblood, Mr. Philo, and the entire Budget and Finance and Treasury Department staff again for their cooperation and assistance they provided during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC

*PLANTE & MORAN, PLLC*

# **City of Taylor, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2005**

# City of Taylor, Michigan

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## Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-6
Schedule of Expenditures of Federal Awards	7-8
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	9
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11-16



**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Taylor, Michigan

We have audited the basic financial statements of the City of Taylor, Michigan for the year ended June 30, 2005 and have issued our report thereon dated December 21, 2005. Those basic financial statements are the responsibility of the management of the City of Taylor, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Taylor, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

December 21, 2005

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and Members  
of the City Council  
City of Taylor, Michigan

We have audited the financial statements of the City of Taylor, Michigan as of and for the year ended June 30, 2005 and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Taylor, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted two matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Taylor, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Taylor, Michigan in a separate letter dated December 21, 2005.



To the Honorable Mayor and Members  
of the City Council  
City of Taylor, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Taylor, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

December 21, 2005

Report on Compliance with Requirements Applicable to Each Major  
Program and on Internal Control Over Compliance in Accordance with  
OMB Circular A-133

To the Honorable Mayor and Members  
of the City Council  
City of Taylor, Michigan

## Compliance

We have audited the compliance of the City of Taylor, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The major federal programs of the City of Taylor, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Taylor, Michigan's management. Our responsibility is to express an opinion on the City of Taylor, Michigan's compliance based on our audit.

The City of Taylor, Michigan's basic financial statements include the operations of the Taylor Housing Commission, which received federal awards that are not included in the attached schedule of expenditures of federal awards for the year ended June 30, 2005. Our audit, as described below, did not include the operations of the Taylor Housing Commission because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Taylor, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Taylor, Michigan's compliance with those requirements.

To the Honorable Mayor and Members  
of the City Council  
City of Taylor, Michigan

In our opinion, the City of Taylor, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-3 through 05-6.

### **Internal Control Over Compliance**

The management of the City of Taylor, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Taylor, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, the results of our auditing procedures disclosed several instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-3 and 05-6.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Taylor, Michigan's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-4 and 05-5.

To the Honorable Mayor and Members  
of the City Council  
City of Taylor, Michigan

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

December 21, 2005

# City of Taylor, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Direct program - Community Development Block Grant - Entitlement Grant:				
Program year 2005 - B05-MC-26-0015	14.218	NA	\$ 584,794	\$ -
Program year 2004 - B04-MC-26-0015	14.218	NA	620,000	82,928
Program year 2003 - B03-MC-26-0015	14.218	NA	640,000	<u>613,382</u>
Total U.S. Department of Housing and Urban Development				696,310
National Parks Service - Department of Interior Land and Water Conservation Fund - Heritage Park Pathways	15.916	LW 02-068	321,500	198,292
U.S. Department of Justice:				
Passed through Taylor School District - Drug-free Schools and Communities Act of 1986 - TTOP JAIBG - 4/1/04-3/31/05	16.540	04-82002	21,526	15,629
Michigan Department of Community Health - Passed through County of Wayne - 23rd District Court/Taylor Drug Court Grant	16.579	2004DBBX0052	106,667	42,890
Passed through the State of Michigan - Office of Criminal Justice - DRANO Enhancement Grant:				
State police pass-through grant - 10/1/03-9/30/04	16.579	70978-3-03-B	17,017	6,348
State police pass-through grant - 10/1/04-9/30/05	16.579	70978-4-04-B	42,993	<u>32,217</u>
Total Office of Criminal Justice - DRANO Enhancement Grant				38,565
Bureau of Justice Assistance - Local Law Enforcement Block Grant:				
2004 LB-BX-1447 #9	16.592	NA	27,567	17
2005 LB-72219-1-04-B	16.592	NA	8,500	-
Passed through Byrne Justice Assistance Grant/Wayne County 2005-DJ-BX-0565 (JAG)	16.592	NA	27,567	<u>-</u>
Total Bureau of Justice Assistance - Local Law Enforcement Block Grant				17
Bureau of Justice Assistance - C.O.P.S. via DCC/DMA E911 System Phase I & II	16.710	NA	141,603	124,704
Bureau of Justice Assistance - Passed through Wayne County:				
STOP - Violence against women 10/01/04-9/30/05	16.585	DV97820031-I	40,942	34,977
STOP - Violence against women 10/01/03-9/30/04	16.585	DV97820031-I	40,942	<u>8,302</u>
Total Bureau of Justice Assistance - Passed through Wayne County				43,279
Bureau of Justice Assistance - Bulletproof Vest Partners 2004	16.607	NA	12,825	<u>3,315</u>
Total Bureau of Justice Assistance				171,315
Federal Equitable Sharing Program - Justice	16.Unknown	NA	-	<u>500,927</u>
Total U.S. Department of Justice				769,326

# City of Taylor, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Treasury:				
Federal Equitable Sharing Program - Treasury	16.Unknown	NA	\$ -	\$ 63,317
U.S. Custom Service Outbound Currency Task Force	16.Unknown	NA	-	<u>20,830</u>
Total U.S. Department of Treasury				84,147
U.S. Department of Transportation - Federal Aid to Urban Systems (FAUS) - Passed through Michigan Department of Transportation:				
Goddard Road Transportation Enhancement - 02-5000	20.205	STP-0282(332)	902,080	-
Michigan State Police - Office of Highway Safety Planning:				
OUIL & Seat Belt Grant 10/1/03-9/30/04	20.600	OP-04	27,783	12,161
OUIL & Seat Belt Grant 10/1/04-9/30/05	20.600	OP-05	39,149	<u>12,368</u>
Total U.S. Department of Transportation				24,529
Federal Highway Administration - Demonstration and Evaluation of Rational Speed Limits				
	20.205	DTFH61-03-H- 00130	330,146	84,064
U.S. Department of Agriculture -				
Michigan Department of Natural Resources:				
Emerald Ash Borer Tree Planting Grant 2004	10.664	NA	20,000	20,000
Emerald Ash Borer Tree Removal Grant 2004	10.664	NA	36,108	<u>26,034</u>
Total U.S. Department of Agriculture				46,034
U.S. Environmental Protection Agency - Brownfields Cleanup Revolving Loan Fund Pilot				
	66.811	NA	1,000,000	<u>53,724</u>
Total federal awards				<u><b>\$ 1,956,426</b></u>

# City of Taylor, Michigan

## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2005**

Revenue from federal sources - As reported on financial statements within the governmental funds	\$ 1,911,179
Federal revenue not received within 60 days of the current year	218,292
Federal expenditures not received within the current period - Miscellaneous Law Enforcement Grants	9,637
Less state revenue reported as federal revenue	(33,331)
Revenue from federal sources - As reported within the discretely presented component units	53,724
Federal revenue reported in the financial statements, not expended in the current period:	
LLEBG	(27,545)
Federal Forfeiture Justice Funds	(100,064)
Federal Forfeiture Treasury Funds	(49,938)
Miscellaneous Law Enforcement Grants	<u>(25,528)</u>
Federal expenditures per the schedule of expenditures of federal awards	<b><u>\$ 1,956,426</u></b>

# City of Taylor, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Taylor, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 48,601



# City of Taylor, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2005

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant
16.unknown	Federal Equitable Sharing Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

# City of Taylor, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section II - Financial Statement Audit Findings

Reference Number	Findings
05-1	<p><b>Finding Type</b> - Reportable condition</p> <p><b>Condition</b> - The City did not prepare timely bank reconciliations.</p> <p><b>Context</b> - During testing, it was noted that there was a delay of one to three months from the time the bank statement was received until the time certain bank reconciliations were prepared.</p> <p><b>Recommendation</b> - The City should prepare all bank reconciliations on a timely basis.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The delay was partially due to a turnover in the bookkeeping function of the finance department. The City has procedures in place to allow for timely preparation.</p>
05-2	<p><b>Finding Type</b> - Reportable condition</p> <p><b>Condition</b> - All entities in the Parks and Recreation Department are not following the same cash collection procedures, including the lack of uniform usage of the cash register and/or pre-numbered receipts.</p> <p><b>Context</b> - No specific procedures were noted for addressing when money is collected from different remote locations and brought to the Community Center for reconciliation and deposit. Bank deposits are consistently not made timely. In addition, there was also an instance where a deposit was incorrectly posted to an activity within the general ledger that the funds did not relate to and the related checks were deposited three months after they were dated.</p> <p><b>Recommendation</b> - The Parks and Recreation Department needs to re-establish accountability and enhance control procedures that are consistently followed throughout all programs to improve its internal controls and to provide assurance that the cash collected at all locations is being properly recorded and timely deposited into the bank.</p>

# City of Taylor, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
05-2 (Continued)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - We agree with the finding and will implement procedures to ensure the above recommendations are implemented.

### Section III - Federal Program Audit Findings

Reference Number	Findings
05-3	<p><b>Program Name</b> - Brownfield Cleanup Revolving Loan Pilot - 66.811</p> <p><b>Pass-through Entity</b> - Environmental Protection Agency</p> <p><b>Finding Type</b> - Material noncompliance</p> <p><b>Criteria</b> - The City is required to submit quarterly reports to the Environmental Protection Agency. In addition, the City is also required to submit a financial status report within 90 days after fiscal year end.</p> <p><b>Condition</b> - During testing it was noted that the 6/30/05 and 9/30/05 quarterly reports as well as the annual report were not submitted timely.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The City had not identified an individual to prepare the reports.</p> <p><b>Cause and Effect</b> - The 6/30/05 and 9/30/05 quarterly reports as well as the annual report were not submitted timely as a result of an individual not being assigned to complete them.</p> <p><b>Recommendation</b> - It is recommended that the City appoint an individual to be responsible for understanding the grant requirements, including the reporting to ensure it is submitted when required.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City understands the responsibility for timely reporting and anticipates that the department head responsible for the Brownfield program will ultimately be responsible for ensuring that reports are filed on a timely basis. At the present time, that position is unfilled, so it is the responsibility of the Director of Budget and Finance to ensure that the reports are filed.</p>

# City of Taylor, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-4	<p><b>Program Name</b> - Brownfield Cleanup Revolving Loan Pilot - 66.811</p> <p><b>Pass-through Entity</b> - Environmental Protection Agency</p> <p><b>Finding Type</b> - Material noncompliance/Reportable condition</p> <p><b>Criteria</b> - The City did not meet mandated bid procedures in obtaining a contractor to carry out the project.</p> <p><b>Condition</b> - The City hired their general contractor to complete the project instead of following the required bid procedures.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Recommendation</b> - It is recommended that the City follow the mandated bid procedures for all future projects using federal dollars.</p> <p><b>Context</b> - The City assumed that it was reasonable to contract with the general contractor with which the City has a long-standing contract.</p> <p><b>Cause and Effect</b> - As a result of hiring the City's general contractor, the City did not comply with the required bid procedures.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City was unaware that separate bid procedures had to be followed to hire a contractor for this project, especially since the City has a long-standing contract with its engineering firm. The City will take note of mandated bidding procedures applicable to this and any future federally funded project to ensure that the proper process is followed to hire a contractor.</p>

# City of Taylor, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-5	<p><b>Program Name</b> - Brownfield Cleanup Revolving Loan Pilot - 66.811</p> <p><b>Pass-through Entity</b> - Environmental Protection Agency</p> <p><b>Finding Type</b> - Material noncompliance/Reportable condition</p> <p><b>Criteria</b> - The City is to spend federal dollars in a reasonable time frame from the time in which the advance funds are requested.</p> <p><b>Condition</b> - As of December 21, 2005 the City has yet to spend all the money drawn down on June 3, 2005.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The City did not recognize that in order to comply with the grant it needed to spend the advance funding in a reasonable time frame from the date of the draw.</p> <p><b>Cause and Effect</b> - The City did receive the advanced funding from the EPA, however, it did not spend the money in a reasonable time frame.</p> <p><b>Recommendation</b> - It is recommended that the City only draw down advanced funds based on immediate need (i.e., within 90 days).</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City understood that it had authorization from EPA officials to draw down the entire amount loaned out for this project under the revolving loan program; however, the project is taking longer than originally expected. Upon completion of the particular project, the City expects to pay back immediately any funds not needed for the project, and the balance would be repaid in accordance with the loan agreement.</p>

# City of Taylor, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-6	<p><b>Program Name</b> - Community Development Block Grant - 14.218</p> <p><b>Pass-through Entity</b> - None</p> <p><b>Finding Type</b> - Material noncompliance</p> <p><b>Criteria</b> - The City was required to submit the consolidated plan on the use of its grant funding for the fiscal year ending June 2006 by April 2005.</p> <p><b>Condition</b> - During testing, it was noted that the consolidated plan was not filed until July 2005, three months late.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The City was aware of the filing date but had staffing difficulties as a result of the director being ill.</p> <p><b>Cause and Effect</b> - The report was submitted three months late as a result of the director of the grant being ill.</p> <p><b>Recommendation</b> - It is recommended that the City appoint an individual to be responsible for timely submission of the consolidated plan.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City understands the need to file the consolidated plan on time; however, the Director of Community Development became seriously ill and unable to work at the time the report was due, and the department staff was unable to complete the document until July. In the future, the City will make sure the document is filed on a timely basis, and will take precautions to ensure that unforeseen circumstances do not interfere with that responsibility.</p>